

Comprehensive Annual Financial Report
For the year ended June 30, 2005

RENO-TAHOE AIRPORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2005

**Prepared by
Finance & Administration Department**

**Joan E. Dees
Senior Director of Finance & Administration**

**Leah A. Williams
Manager of Accounting**

**RENO-TAHOE AIRPORT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

Table of Contents

I.	<u>Introductory Section</u>	<u>Page(s)</u>
	Letter of Transmittal	1-11
	Board of Directors and Senior Management.....	12
	Organization Chart.....	13
	Certificate of Achievement for Excellence in Financial Reporting.....	14
II.	<u>Financial Section</u>	
	Independent Auditors' Report on the Basic Financial Statements	
	And Supplementary Information	15-16
	Management's Discussion and Analysis	17-25
	Basic Financial Statements:	
	Statements of Net Assets	26-27
	Statements of Revenues, Expenses and Changes in Net Assets	28
	Statements of Cash Flows	29-30
	Notes to Financial Statements	31-42
	Supplementary Information:	
	Schedule of Revenues and Expenses, Comparison of Budget to Actual	43
	Schedule of Debt Service Requirements on Bonds	44
	Recapitulation of Cash and Investment Accounts and Sub-Accounts	45
III.	<u>Statistical Section</u> (Unaudited)	
	Summary of Operating Results	46
	Rate Maintenance Covenant Performance	47
	Operational Statistical Summary.....	48
	Enplanements and Market Share by Scheduled Airline.....	49-50
	Landed Weights and Market Share by Scheduled Airline	51-52
	Schedule of Insurance Coverage.....	53
IV.	<u>Compliance Section</u>	
	Report on Internal Control Over Financial Reporting and on Compliance	
	And Other Matters Based on an Audit of Financial Statements Performed in	
	Accordance with <i>Government Auditing Standards</i>	54-55
	Report on Compliance with Requirements Applicable to the Major Program	
	and the Passenger Facility Charge Program and on Internal Control over Compliance	56-57
	Supplementary Schedule of Expenditures of Federal Awards	58
	Notes to Supplementary Schedule of Expenditures of Federal Awards.....	59
	Supplementary Schedule of Passenger Facility Charges Collected and Expended	60
	Schedule of Findings and Questioned Costs.....	61
	Summary Schedule of Prior Audit Findings	62-65
	Independent Accountant's Report on Nevada Revised Statute 354.6241	66
	Auditors' Comments	67



Reno-Tahoe International Airport

P.O. Box 12490 Reno, NV 89510-2490 (775) 328-6400 Fax (775) 328-6510

November 15, 2005

Board of Trustees
Reno-Tahoe Airport Authority
Reno, Nevada

Welcome to the Comprehensive Annual Financial Report (CAFR) of the Reno-Tahoe Airport Authority ("RTAA") (formerly the Airport Authority of Washoe County), for the fiscal year July 1, 2004, through June 30, 2005. The RTAA staff prepared this report and is responsible for the information it contains. The purpose is to present the financial position, operating results, and cash flows of the RTAA in a comprehensive and fair manner.

This CAFR contains financial statements and statistical data that fully disclose all the material financial operations of the RTAA. The information contained in this report represents the RTAA's dedication to presenting an accurate, complete, and fair CAFR. A narrative overview and analysis of the financial activities of the RTAA that occurred during the year ended June 30, 2005 is presented in the Management's Discussion and Analysis (MD&A) found at the beginning of the Financial Section.

This Comprehensive Annual Financial Report has been prepared and organized based on guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awards Certificates of Achievement to those entities whose annual financial reports are judged to conform to the high standards of public financial reporting, including generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB). It is our belief that the accompanying 2005 CAFR meets program standards, and it will be submitted to the GFOA for review.

In accordance with the above-mentioned guidelines, the accompanying CAFR consists of four parts:

1. **Introductory Section**, including members of the Board of Trustees, an Organization Chart and listing of Senior Management, a reproduction of the 2004 Certificate of Achievement, and this Letter of Transmittal.
2. **Financial Section**, including the Management's Discussion and Analysis (MD&A) of the 2005 financial statements, financial statements (with related footnotes) as of June 30, 2005 and 2004, accompanied by our independent auditors' report.
3. **Statistical Section**, providing financial, economic, and industry specific information.
4. **Compliance Section**, providing the Schedule of Federal Expenditures, the Schedule of Passenger Facility Charges and related notes. It also includes the Schedule of Findings and Questioned Costs as well as the independent auditors' reports on the RTAA's compliance with Federal OMB Circular A-133 and Passenger Facility Charge program requirements.

REPORTING ENTITY

RTAA is a quasi-municipal corporation that began operation on July 1, 1978 due to its creation by the Nevada State Legislature. The act creating the RTAA provides that it will serve a public use and will promote the general welfare by facilitating safe and convenient air travel and transport to and from the Reno-Tahoe area. The RTAA is an independent entity that is not part of any other unit of local government and does not use local property or sales tax revenue to fund its operation.

Reno-Tahoe International Airport (RTIA) is a medium hub airport that served 5.1 million passengers in calendar year 2004 while posting a 3.6 percent increase in passengers over the previous fiscal year. With 11,000 daily departure seats available on ten major/national, and five regional airlines, RTIA offers better air service than any other airport from a city of comparable size anywhere in the United States. These airlines serve RTIA - Alaska/Horizon Airlines, Aloha Airlines, American Airlines, America West, Continental, Delta/Delta Connection, Frontier, Northwest Airlines, Scenic Airlines, Skywest, Southwest Airlines and United Airlines. Together these airlines operate 82 daily departures to 18 non-stop destinations throughout the United States and Canada.



In addition to increasing passenger numbers, cargo at RTIA increased 2.4 percent last fiscal year over 2004. Approximately 107 million pounds of cargo traveled through RTIA in fiscal year 2005.

The geographical area served by RTIA primarily encompasses the seven Nevada counties of Churchill, Douglas, Humboldt, Lyon, Pershing, Storey, and Washoe and the major cities of Reno, Sparks, and Carson City (the capital of the State of Nevada). The total air trade area for the Airport also includes the Lake Tahoe area and several communities in northeastern California.

Reno-Stead Airport is a 5,000 acre general aviation airport, serving as a reliever airport for RTIA. General aviation airports typically do not have scheduled air service, but do provide for military, helicopter, charter, and private aircraft operation. Aircraft owners or aviation related businesses lease land or buildings at Reno-Stead from the RTAA. Reno-Stead is home to Aviation Classics, the Bureau of Land Management, ERA Helicopters, the Nevada Army National Guard, Nevada Kart Club and the Reno Air Racing Association.

The nine-member Board of Trustees that governs the RTAA is appointed by the City of Reno, City of Sparks, Washoe County and the Reno-Sparks Convention & Visitors Authority. Four members are appointed by the City of Reno, two by the City of Sparks, two by Washoe County and a ninth board member is appointed by the Reno-Sparks Convention & Visitors Authority. The Board members' terms are staggered to ensure the presence of experienced members.

ECONOMIC CONDITION AND OUTLOOK

Today's RTAA is a dynamic organization that operates RTIA, the 58th busiest airport in the nation, as well as the popular Reno-Stead Airport, home to 250 based aircraft and the famous Reno National Championship Air Races. Together, these airports have a \$3.25 billion annual economic impact on the local economy. This sector of the local economy provides close to 40,000 jobs.



The strong financial condition of the RTAA is primarily a result of an economically diverse air trade area with a strong origination and destination market. Southwest Airlines has a major presence at RTIA with 44% of the passengers traveling to and from Reno, while there is balanced service offered from the other carriers.

Despite the unrest in the airline industry today, the primary goal for RTIA is to increase air service. RTAA is constantly striving to add new airline service. Using a combination of detailed business analyses, case studies that are tailored to each airline and personal contacts, the air service marketing approach has been successful in acquiring new routes and seats. Furthermore, RTAA has earned a reputation for integrity when approaching airlines.

A spirit of partnership exists between the airport and the airlines as new flights are added. Cooperative advertising programs and community sponsored incentives help establish new airlines and service in the RTIA market. If a new flight is successful, the RTAA is successful.

To make air service more attractive for a current or new airline, the RTAA has adopted an airline incentive program for any airline establishing service to a market not currently served. This program allows up to twelve months of free terminal building rent and landing fees, or other negotiated items, depending on the size of the new market. The RTAA also participates in the cost of joint advertising for air service to a new market. Through the use of incentives, RTAA demonstrates a willingness to share start up risks and affect a commitment to seeing that an airline is successful in offering new air service at Reno-Tahoe.

Economic growth in the Reno-Tahoe Metropolitan Statistical Area (MSA) is very strong. The area had the 4th highest job growth in the nation (2nd quarter, 2004). New home sales increased 36% from 2000 to 2004. The per capita income in the MSA is \$36,831, 19% higher than the national average of \$30,906. Over thirty fortune 500 companies have relocated or set up offices in the Reno-Tahoe Area. Inc. Magazine listed Reno as the national's top city for doing business. This type of growth and economic diversity has a significant impact on air service demand in this market.

REGIONAL RENAISSANCE

The City of Reno continues its redevelopment process to revitalize the downtown area. Old buildings in the core downtown area are being acquired and some have been demolished. Developers are being asked for proposals that would create new attractions to differentiate Reno from other gaming destinations.

The downtown renaissance includes several housing projects under construction with more planned. The Comstock Hotel-Casino closed in November 2000. It has since been gutted for a first-class renovation called the Residences at Riverwalk. Ranging from studios to \$1 million penthouse suites, 125 condos will replace 306 former hotel rooms on 15 floors. Demolition is under way for the conversion to condos at the former Sundowner hotel-casino. Now called Belvedere Towers, final plans recently were turned into the city to build 188 condos in the north tower and work should be done within six to eight months. Two other developments under way are the Palladio and the Riverside both of which will house retail, restaurants and market rate condominiums.



Another new downtown venue, the Reno Events Center was completed in January, 2005. It has grossed over \$6 million in ticket sales since opening. The Center hosts conventions and trade shows, and serves as a downtown entertainment venue. With 118,000 square feet available for events, this \$65 million facility reflects the City's commitment to diversifying the downtown economy.

In 1999, the City of Reno Redevelopment Agency secured \$1.2 million in Federal Transportation Equity Act-21 grants to build a riverwalk and improve the paths along the Truckee River, adding decorative paving, lighting and landscaping. An additional \$1.2 million in TEA-21 grants was awarded in 2001. The improved riverwalk trails will be expanded and enhanced over the course of the next few years.

A mixed-use public plaza is now being built and will include an 85 foot by 185 foot rectangular ice rink that will open by Thanksgiving, 2005. The design also includes a sloped amphitheater, a stage, marker elements that depict the history of Reno, including a water feature, and landscaping with a grove of trees.

In keeping with the theme of "America's Adventure Place", the Truckee River Whitewater Park allows everyone to enjoy outdoor activity year-round. It provides a constant flow of clean, fresh water through its 11 drop-pools. It is one half mile long, with easy access for the public and spectators.



Also recently completed is the Reno Transportation Rail Access Corridor (ReTRAC) project. This project lowered 2.3 miles of railroad track through downtown and is the biggest public works improvement ever undertaken by the City of Reno. Now, the City's downtown is safer, cleaner and more open for economic development. This large project was on schedule and under budget.

Other major developments recently approved include two casino-hotel projects by Stations Casino. One project is a 500-room, 17 story hotel and casino across the street from the Reno-Sparks Convention center and another hotel-casino at Mt. Rose Highway and Virginia Street. This project will be directly across the highway from the Summit Sierra outdoor mall currently under development. This 70- acre site will house several retailers that are new to Northern Nevada and is a reflection of the economic growth of the area. Retailers include Abercrombie & Fitch, Banana Republic, Chico's, J. Jill, Crate & Barrel to name just a few.

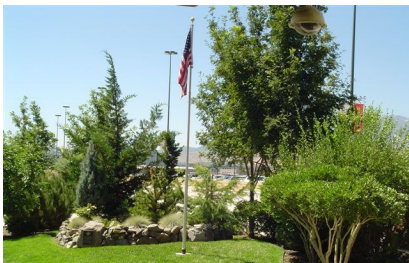
To the east of the Reno-Sparks area is the Tahoe-Reno Industrial Center which covers 102,000 acres. One of the first major developments in the Center will be an 880,000 square foot Wal-Mart Distribution Center bringing 500 new jobs to the area. Completion of this project will be in the fall of 2006.

The City of Sparks has several new projects underway including commercial development projects and residential housing projects. The Victorian Square redevelopment project will develop 21 acres in downtown Sparks with a mixed use development plan and an urban housing component. A project north of Interstate 80 and west of Sparks Boulevard, is the RED Development project. This development will link into the Sparks Marina Park to provide recreational opportunities while creating a unique mix of retail, restaurant and entertainment uses. Located on Pyramid highway will be many new projects including the Terra Del Sol development with 115 single family units, Kiley

Ranch North with 4,436 dwelling units and 265 acres of business park and commercial use land, Sparks Crossing and Spanish Springs Town Center, both with 41 acres each of commercial development, and Sparks Galleria with will include general commercial, professional office and medium density residential land uses.

RTIA is the closest airport to the Lake Tahoe area which is the gateway to 18 ski resorts in the Sierra Nevada mountains. Ongoing regeneration continues to make a dramatic impact on both North and South Shores. The Heavenly Village, Village Center and Ski Run Boulevard areas have all been newly renovated offering a mix of unique boutiques, high-end adventure apparel shops, and a year-round sightseeing gondola that whisks you 9,000 feet above sea level. Heavenly Mountain Resort has invested a total of \$36 million in renovations since Vail took over in 2002. The new village at Northstar includes a pedestrian friendly village featuring 100 luxury condominiums, a variety of shopping options, art galleries and specialty retailers all centered around a year-round ice skating rink. New to Squaw Valley is “The Village at Squaw Valley, USA.” The first two phases of Intrawest's new \$250-million Village at Squaw Valley are now open. The European-style pedestrian village has a total of 286 slopeside condominiums, 17 boutique shops and seven restaurants.

GOOD FOR BUSINESS



The present population of the primary air trade area served by RTIA is 1.2 million. While gaming and tourism long dominated the area's economy, the business economy has strengthened and diversified in recent years with an influx of jobs associated with product distribution facilities and manufacturing. This trend is expected to continue.

The tax climate is pro-business and critical to a corporation's profit potential. Nevada's tax structure is designed to be less burdensome to both business and its employees. Nevada has no corporate, personal, unitary, inventory or franchise taxes. Coupled with the area's reasonable property and sales tax rates, it becomes clear why Reno/Sparks/Tahoe is a desirable place to live and work. Add to that a litany of other attributes including, accessibility to western markets, a major transportation hub, an abundance of available industrial/office/commercial space, and an advanced telecommunications infrastructure.

Just a few of the companies who have joined these communities over the past few years include giants Microsoft, Intuit, Amazon.com, as well as Michelin North America, Kal Kan, and John Deere and Company. All have chosen to expand or move into this region, joining longstanding corporate residents Ralston Foods, International Game Technology and General Motors.

SPECIAL EVENTS

Two large events, the Safari Club and an annual Volleyball Festival, have signed multi year agreements to use the Reno-Sparks Convention & Visitors Authority facilities. A record 25,000 people arrived in Reno for the Safari Club International 32nd annual Convention in January 2005. The convention is Northern Nevada's largest, taking place in the renovated Reno-Sparks Convention Center. The Volleyball Festival is the world's largest annual sporting event for women. Attendance is estimated at about 9,500 young women aged 11 to 18, and 11,750 coaches, parents, recruiters, staff and spectators.

The Reno-Tahoe area draws hundreds of thousands of visitors to Northern Nevada for community-wide special events throughout the year. This year's special event season started with the Reno

Rodeo, a nine-day event in its 86th year and a PRCA (Professional Rodeo Cowboys Association) sanctioned sporting event. The Reno Rodeo is a non-profit organization made up of over 550 volunteers with over 120,000 fans in attendance; it is the 3rd largest PRCA tour rodeo. The event impacts the Reno/Sparks area economy by approximately \$34.5 million. The Reno Rodeo was nationally televised on OLN, ESPN and ESPN2 and CBS.

Next is Hot August Nights, a celebration of the 50's and 60's emphasizing the cars of the era. More than 200,000 people flock to the event each year. There are more than 5,000 classic cars from 36 states across the nation, including Alaska, Massachusetts and Florida, and three Canadian provinces. Californians will bring over 2,500 cars for this event. Nevadans have over 1,500 cars entered and registration from the Pacific Northwest is strong with more than 280 from Oregon and 220 from Washington.



There is a wide variety of amazing events in Reno in September. Leading the way are the Great Reno Balloon Races. This colorful event first got off the ground in 1982, with only 20 balloons participating. This year, more than 100 balloons took to the skies.

The mission of the Great Reno Balloon Race is to provide a premier, safe, family-oriented/tourist-attractive, visually dramatic event that celebrates the joy of flight while remaining free to the public.



The blue September skies of Reno are also the home of the National Championship Air Races (NCAR). The NCAR and Air Show have been run at the Reno-Stead Airport every year since 1964. It has only been interrupted once – in September 2001 when all aircraft in the US were grounded following the terrorist attacks in New York and Washington. The National Championship Air Races bring together thousands of aviation and sports enthusiasts from around the world, including many residents of Reno and the surrounding areas. Race and air show participants include astronauts, airline pilots, and military and civilian aviators. The Reno Air Racing Association, which organizes the event, is a non-profit organization.

Street Vibrations is the place to be for those in search of a celebration of music, metal and motorcycles. An official Northern California Harley-Davidson event, Street Vibrations offers tours, entertainment, parades, ride-in shows, and Chrome Alley retail vendors, Camel Roadhouse, the Harley-Davidson Factory Store, concerts and more. The event attracts an estimated 40,000 people to downtown Reno and pumps about \$21 million into the local economy. Now ranked the 6th largest motorcycle event in the nation, Street Vibrations combines the best bikes in the West with incredible music all over town.



MAJOR INITIATIVES AND DEVELOPMENT

On July 1, 2005, through a change in State Legislation, the Airport Authority of Washoe County became Reno-Tahoe Airport Authority. The new name more accurately describes the regional focus on the Airport Authority. In reality, the name change has been evolving over the past few years as Reno-Tahoe International Airport has grown in scope, service and reputation. The importance of international name recognition is emphasized by the change in airport passengers. According to a recent customer survey, 47 percent of Reno-Tahoe International Airport's customers are traveling for business. Last year, 150,000 of the airport's passengers were international travelers and they make up the fastest growing segment of customers.

Renaming the Airport Authority will increase the recognition of the airport system worldwide. It will help the staff market for more air service nationally and internationally while signaling to the aviation industry that Reno-Tahoe is a world class airport.

With this new recognition comes a responsibility to operate an airport that represents world class standards. More is changing than just the name. RTAA's vision is also being enhanced with a renewed focus on customer service. Planning and design should be leading edge. Air service marketing has to reach beyond the region and even beyond our national borders.

TERMINAL ENHANCEMENTS



Various terminal improvements were completed in the 2004-2005 fiscal year. New flight information flat panel displays were designed and installed both in the terminal building and parking garage. Design and bidding was completed for a total reconstruction and modernization of the concourse bathrooms. Work is currently underway and this project will be complete in the 2005-2006 fiscal year. The deteriorated *Hello Goodbye* mural on the parking garage was replaced with a new architectural feature focusing on the quality of life in the area that incorporates multi-purpose banners. These banners will highlight art, community functions, special events, advertising and seasonal displays.

AT YOUR SERVICE

RTAA's commitment to customer service is reflected in the many improvements added this year. The rental car quick turnaround facility was completed with customer service in mind. This facility not only enables the rental car concessionaires to quickly clean, fuel, and prepare a car for rental, but it also enables the customers to return their car to a centralized area quickly and easily. Earlier this year the RTAA, in conjunction with SBC Communications, announced the availability of wireless Internet connectivity at the Reno-Tahoe International Airport. The entire terminal building is now a "HotSpot" for the SBC FreedomLink WiFi service. As security restrictions strengthen, more items are no longer allowed past the security check points. Many passengers are faced with the dilemma of what to do with these personal items they were unable to take on their travels. In response to this need, checkpoint mailers were added to aid these travelers. This is a self serve mailing system, where for a small fee, the traveling public is able to mail their items back to themselves. Also RTAA initiated a new "ask the airport" feature on the RTAA web site. If there is a question about the airport, or a comment, the question is answered promptly by the Public Affairs Department. Some questions are posted, along with the responses, to share with other visitors to this website. Additional communication tools that have been incorporated to enhance customer service include a monthly television program produced and filmed internally by staff and a quarterly newspaper insert. The 30 minute television program highlights timely happenings at the airport.



MAKING THE GRADE

A major financial goal was accomplished this year when the Airport received an upgrade from A- to A on all outstanding bonds and the 2005 refunding bonds. This increased bond rating is a reflection of the expanded air service area, solid financial performance and good balance sheet position. A new

rental car concession agreement and advertising contract were negotiated that will increase these revenues a projected 5 to 8 percent.

CANNINE SECURITY

This year RTAA began participation in the Transportation Security Administration's (TSA) National Explosives Detection Canine Team Program (NEDCTP). This is the largest, most experienced and progressive explosives detection canine program within the Department of Homeland Security. Currently there are 63 partner airports participating in the program nationwide. RTIA will have three canines assigned to the project and three police/handlers.



NOISE REDUCTION

Established by the Federal Aviation Administration in 1979, Federal Aviation Regulation (FAR) Part 150 (Airport Noise Compatibility Planning), is a voluntary program which airports can follow to conduct airport noise compatibility planning, and receive federal funds. A Part 150 Study defines a system for measuring noise impacts at local airports, and establishes guidelines for identifying incompatible land uses. Programs such as sound insulation, land acquisition, and a permanent noise monitoring and flight tracking system can be funded by Airport Improvement (AIP) Grants. In 2001, the RTAA updated the Part 150 Study.

The Part 150 Study produced two documents, the Noise Exposure Map and the Noise Compatibility Plan. The Noise Exposure Map quantified the noise impact in the areas surrounding the airport. The Noise Compatibility Plan identifies methods to reduce or mitigate the noise impact on the community. Projects to implement the Part 150 Study are eligible for Federal grants.



The RTAA will continue to acquire noise impacted land around the airport. Several federal noise grants have been received and used to acquire existing home sites in the southwest corner of the RTIA. All such acquisitions are subject to the Federal Uniform Relocation Assistance and Real Property Acquisition Policies. Because of the relocation benefits under this program, many of the tenants in acquired housing are able to become first time home buyers. Another Part 150 project is the sound insulation program. Sound insulation generally consists of the installation of new acoustically designed metal doors and windows in homes near RTIA. To date, the RTAA has insulated 1,238 homes. Of that total, 743 are in the City of Reno, 413 in the City of Sparks, and 82 are in the unincorporated areas of Washoe County. Currently, the RTAA is continuing with Phases 13, 14, and 15 of the sound insulation program.

STEAD

The development of the Reno-Stead Airport is also continuing. Construction on runway 14-32 was started during fiscal year 2003-2004 and completed this year. The amount of new asphalt pavement being constructed is equivalent to 21 miles of single lane roadway. The Reno-Stead abandoned runway has been used throughout the year for driver training. Additional hangar development is anticipated in the coming year with a request for proposals issued at the end



of the fiscal year. The Federal Aviation Administration (FAA) has allocated funding for a precision Instrument Landing System (ILS) and approach light system installation at the Reno-Stead Airport. Its primary purpose is to provide a means of landing aircraft during inclement weather conditions. The system includes a system of lights, a glide slope antennae and building and other incidentals. At Reno-Stead, this system will be used primarily for training and requalification of private pilots.

During the summer months the Stead ramp is filled with various firefighting planes and helicopters. The Bureau of Land Management (BLM) and California Department of Forestry (CDF) are in full force in support of the various wildfires within the area. Also based at Reno-Stead is a mosquito abatement helicopter which has several flights in support of the surrounding valleys.

FINANCIAL INFORMATION

While the RTAA is a quasi-governmental entity, the generally accepted accounting principles that are applicable to an enterprise fund governmental entity are followed. An enterprise fund operates with one purpose, such as the operation of the airports which form the RTAA. This is in contrast to a governmental fund entity with many separate funds used for a variety of purposes from police services to street maintenance.

The RTAA's financial statements are prepared on an accrual basis. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid.

The RTAA prepares, approves, and revises its budget pursuant to Nevada's Local Government Budget and Finance Act, the airline agreement, and the RTAA's revenue bond resolutions. The RTAA staff prepares a tentative budget, for the fiscal year beginning July 1, that must be adopted by the Board of Trustees and filed with the State Department of Taxation before April 15. Pursuant to the airline agreement, the airlines that have signed agreements with the RTAA must also review the budget.



The Local Government Budget and Finance Act further requires that public hearings regarding the tentative budget be held in May. The final budget must be adopted and filed with the State by June 1. Any changes to total budgeted revenues or expenses must be approved by a resolution of the Board of Trustees and filed with the State Department of Taxation. The Local Government Purchasing Act requires that RTAA purchases or projects exceeding \$25,000 must be formally bid with specifications and published notices.



Agreements with the airlines contain a formula for the calculation of the landing fee and rental rates charged by the RTAA. A five year airline agreement was executed in October 1996 and a three year extension was agreed upon in fiscal year 2001. During fiscal year 2004-2005, the airlines and RTAA agreed to another three year extension of the airline agreement. This agreement is a revenue sharing agreement which means that landing fees will be calculated based on the expenses of the Airfield cost center, and rents will be calculated on the expenses of the Terminal Building cost center. All revenues will be assigned to a cost center with expenses netted against revenues for the cost center. The non-airline cost centers are Ground Transportation, Reno/Stead Airport and Other. Net revenues received from all cost centers will be shared 50% by the signatory airlines and 50% by the RTAA in the following fiscal year. Also at year-end, a final reconciliation of actual to budget is completed and a settlement made with the airlines depending on whether fees were over or under collected.

FIDUCIARY RESPONSIBILITIES

RTAA employees are part of the Public Employees Retirement System (the System). The RTAA is a very small part of the System. The RTAA contributions were less than one percent of the total contributions made under the System. Under Nevada law, the RTAA has no liability for any unfunded obligations of the System.



The RTAA also offers its employees a deferred compensation plan. This plan allows employees to defer receiving a portion of their salary, resulting in an income tax saving. Under the plan, the amounts deferred are held in trust by a third party administrator. These amounts are invested based on the instructions of the employees.

The RTAA also has an Internal Revenue Code Section 125 Plan. This plan allows employees to pay for their insurance premiums and other unreimbursed medical and dependent care costs with pretax dollars. This results in tax savings to the employee and an increase in their net pay. This was done to assist the employees in meeting their portion of past increases in group medical insurance premiums.

CASH MANAGEMENT

The RTAA has three checking accounts into which all revenues are deposited and from which checks are written. Two of these checking accounts are used to pay operation and maintenance expenses and payroll expenses. Transfers are made between these checking accounts and the trust funds as required by the RTAA's revenue bond resolutions. The third checking account is the RTAA's prebond funds. These are the funds the RTAA had on hand the day before the first bond issue was sold.

The money held in the trust funds is invested in securities guaranteed by the United States Government or investments guaranteed by such securities pursuant to the RTAA's revenue bond resolutions. A small portion of these investments are of such a short term that it is not practical or customary to have physical custody of the actual investment document in Reno, Nevada. A third party custodial bank takes possession for the RTAA in the name of the RTAA's revenue bond Trustee. The balance of the RTAA's investment securities is also held by a third party custodial bank but in the name of the RTAA.

Interest earned by the revenue bond trust funds is deposited with RTAA revenues in the Revenue Fund to help pay the expenses and debts of the airports. The RTAA's investment earnings increased this year over the prior year. The RTAA's investment policy allows investments in instruments issued by the Federal Government, such as Treasury Notes, Bonds and Agency Notes. Short term investments are allowed in Commercial Paper and Repurchase Agreements. The average rate of return on investments for the fiscal year is consistent with these types of investments.

RISK MANAGEMENT

The RTAA uses insurance to limit the cost of personal injury or property damage claims. The large number of people using the RTAA's facilities result in claims for losses such as vehicle damage in the parking lot or injuries from tripping and falling. These claims are investigated by an adjuster hired by the liability insurance company. Problem areas in the facility are modified to eliminate future claims. The only loss not insured is collision damage to RTAA vehicles.

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded, a Certificate of Achievement for Excellence in Financial Reporting to the RTAA for its 2004 Comprehensive Annual Financial Report. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. To be considered, the Comprehensive Annual Financial Report must be easily readable, efficiently organized and conform to the program standards. It must also satisfy generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The RTAA has received a Certificate of Achievement for each of the last seventeen years. This current report also conforms to the program standards and will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement.

INDEPENDENT AUDIT

Nevada Revised Statutes 354.624 and the RTAA revenue bond resolutions require that the RTAA have its financial statements audited each year by an Independent Certified Public Accountant. Because the RTAA receives Federal funds for some construction and land acquisition, the audit must also meet the federal audit standards referred to collectively as the "Single Audit Act". The reports of the RTAA's auditors, Kafoury Armstrong & Company are included herein.

ACKNOWLEDGMENTS

We extend our sincere appreciation for the strong commitment of the RTAA Board to the highest standards of financial reporting, disclosure and professionalism. We are proud to prepare a document that exemplifies such dedication to financial responsibility. Also, it is important to recognize the dedication to customer service that is displayed on a daily basis by airport staff, the airlines and tenants. It is the willingness to work together and to succeed that has made RTIA one of the best in the country.

The timely and efficient preparation of this report has been achieved by the professionalism and dedication of the entire staff of the Finance and Administration Department. The guidance of our auditors, Kafoury Armstrong & Company is also appreciated.

Respectfully submitted,

Krys T. Bart A. A. E
Executive Director

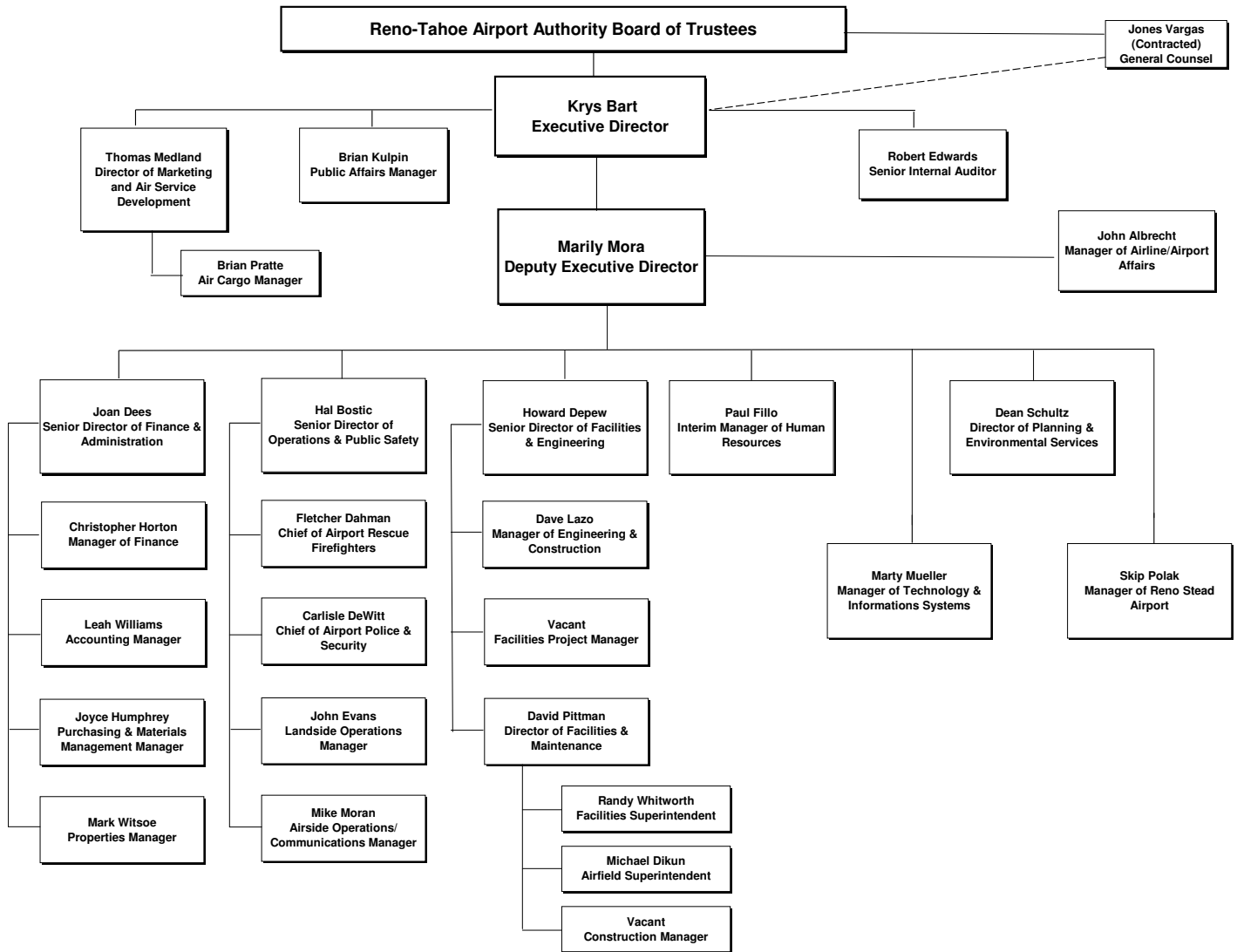
RENO-TAHOE AIRPORT AUTHORITY
JUNE 30, 2005



<u>Board of Trustees</u>	<u>Position</u>	<u>Term Expires</u>	<u>Represents</u>
Larry V. Harvey	Chairman	June 2009	City of Sparks
Joseph W. Mayer	Vice Chairman	June 2007	City of Sparks
Peter R. Landis	Treasurer	June 2007	City of Reno
Bill Newberg	Secretary	June 2009	City of Reno
Lynn Atcheson	Trustee	June 2007	City of Reno
Thomas Gribbin	Trustee	June 2009	City of Reno
Laurence Martin	Trustee	June 2007	Washoe County
Randi Thompson	Trustee	June 2009	Washoe County
John Wagnon	Trustee	June 2009	Reno-Sparks Convention & Visitors Authority

<u>Staff</u>	<u>Title</u>
Krys T. Bart, A.A.E.	Executive Director
Marilyn Mora, C.M.	Deputy Executive Director
Joan Dees	Senior Director of Finance and Administration
Hal Bostic	Senior Director of Operations and Public Safety
Howard Depew	Senior Director of Facilities and Engineering
Dean Schultz, A.A.E.	Director of Planning and Environmental Services
Skip Polak	Manager of Reno Stead Airport
Thomas Medland	Director of Marketing & Air Service Development
Brian Kulpin	Public Affairs Manager

Reno-Tahoe Airport Authority Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Airport Authority of
Washoe County, Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director





Independent Auditor's Report

To the Board of Trustees of the
Reno-Tahoe Airport Authority

We have audited the basic financial statements of the Reno-Tahoe Airport Authority, formerly the Airport Authority of Washoe County (the "Authority") as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net assets of the Reno-Tahoe Airport Authority at June 30, 2005 and 2004, and the changes in net assets and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2005 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Supplementary Information is presented for purposes of additional analysis; the Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Schedule of Passenger Facility Charges Collected and Expended is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration and are also not required parts of the basic financial statements of the Authority. The Supplementary Information, Schedule of Expenditures of Federal Awards and the Schedule of Passenger Facility Charges Collected and Expended have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Kafoury, Armstrong & Co.

Reno, Nevada
September 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of the Reno-Tahoe Airport Authority ("RTAA") provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the RTAA for the fiscal years ended June 30, 2005 and 2004. The information contained in this MD&A should be considered in conjunction with the information contained in the RTAA's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The RTAA's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The RTAA is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See the notes to the financial statements for a summary of the RTAA's significant accounting policies.

Following this MD&A are the basic financial statements of the RTAA together with the notes, which are essential to a full understanding of the data contained in the financial statements. The RTAA's basic financial statements are designed to provide readers with a broad overview of the RTAA's finances.

Net Assets

The following represents the RTAA's financial position for the years ended June 30:

	2005	2004	% Change	2003	% Change
Assets:					
Current Assets	\$ 54,279,183	\$ 55,783,956	-3%	\$ 52,171,842	7%
Current Assets - Restricted	39,796,945	33,882,449	17%	31,986,753	6%
Total Capital Assets, Net	319,913,944	314,570,775	2%	301,462,382	4%
Other Assets	5,035,247	3,565,609	41%	3,834,647	-7%
Total Assets	<u>\$ 419,025,319</u>	<u>\$ 407,802,789</u>	<u>3%</u>	<u>\$ 389,455,624</u>	<u>5%</u>
Liabilities:					
Current Liabilities	\$ 6,162,654	\$ 9,963,036	-38%	\$ 6,382,251	56%
Liabilities Payable from Restricted Assets	6,437,557	5,500,256	17%	11,373,351	-52%
Non-Current Liabilities	79,713,226	87,004,189	-8%	87,184,017	0%
Total Liabilities	<u>92,313,437</u>	<u>102,467,481</u>	<u>-10%</u>	<u>104,939,619</u>	<u>-2%</u>
Net Assets:					
Invested in Capital Assets, net of related Debt	241,394,417	230,574,469	5%	212,779,814	8%
Restricted Net Assets	36,564,162	26,469,671	38%	29,473,577	-10%
Unrestricted Net Assets	48,753,303	48,291,168	1%	42,262,614	14%
Total Net Assets	<u>326,711,882</u>	<u>305,335,308</u>	<u>7%</u>	<u>284,516,005</u>	<u>7%</u>
Total Liabilities and Net Assets	<u>\$ 419,025,319</u>	<u>\$ 407,802,789</u>	<u>3%</u>	<u>\$ 389,455,624</u>	<u>5%</u>

The RTAA's assets exceeded liabilities by \$327 million, a \$21 million increase over June 30, 2004. The largest portion of the RTAA's net assets each year of \$241 million or 74% at June 30,

2005 represents its investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets. The RTAA uses these capital assets to provide services to the airlines, passengers and visitors and to service providers at the Airport; consequently these assets are not available for future spending. Although the RTAA's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the RTAA's net assets of \$37 million or 11% at June 30, 2005 represents resources that are subject to use restrictions. The restricted net assets are not available for new spending because they have already been committed as follows:

Revenue Bond Operations & Maintenance	\$	4,713,700
Renewal & Replacement		784,037
Passenger Facility Charge Projects		21,908,717
Debt Service		3,976,576
Flood Grant		4,777,391
Other Reserve Purposes		403,741
	\$	<u>36,564,162</u>

The remaining unrestricted net assets of \$49 million or 15% at June 30, 2005 may be used to meet any of the RTAA's ongoing obligations. The \$462,000 increase in the unrestricted funds results from operations.

Revenues

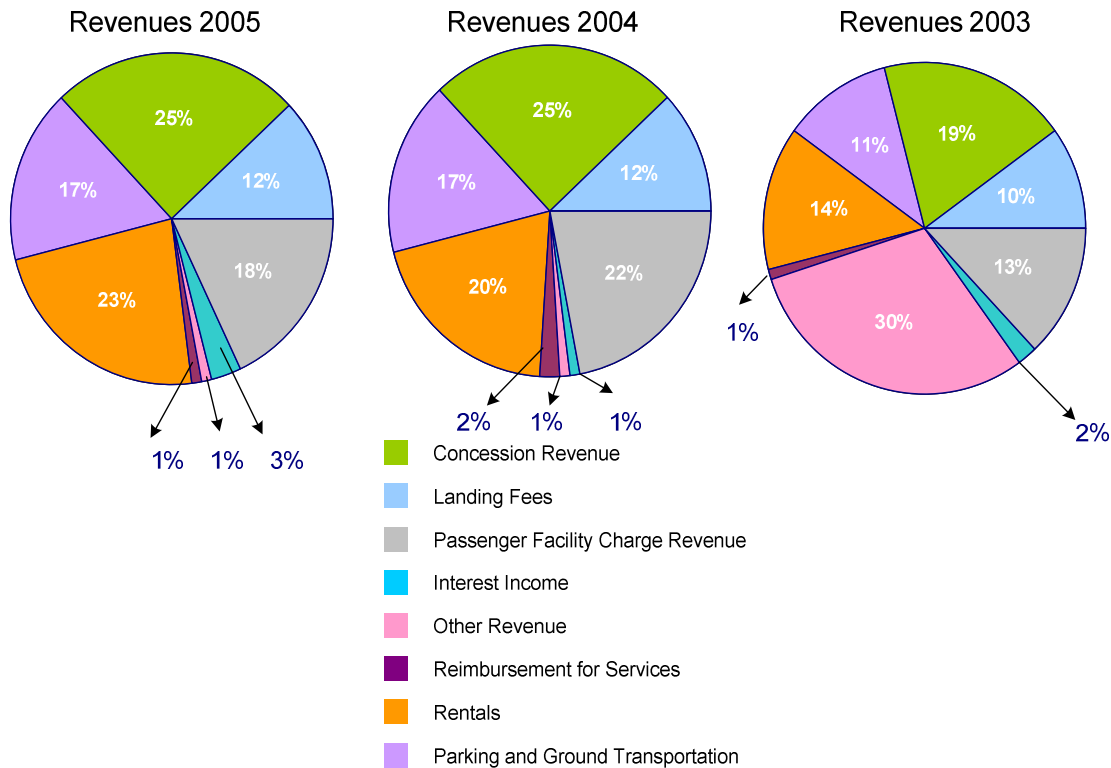
Operating revenues used to finance the RTAA's operations are derived solely from rents, fees and other charges for the use of airport facilities. The following represents the RTAA's summary of operating revenues by source for the years ended June 30:

	2005	2004	% Change	2003	% Change
Landing fees	\$ 5,801,560	\$ 5,798,888	0%	\$ 6,102,736	-5%
Concession revenue	12,618,012	11,595,147	9%	11,686,716	-1%
Parking and ground transportation	9,082,135	7,928,016	15%	7,020,300	13%
Rentals	11,102,359	9,552,561	16%	8,438,313	13%
Reimbursements for services	477,425	940,509	-49%	771,079	22%
Other revenue	8,648	193,519	-96%	533,140	-64%
Total Operating Revenues	<u>\$ 39,090,139</u>	<u>\$ 36,008,640</u>	<u>9%</u>	<u>\$ 34,552,284</u>	<u>4%</u>

Non-operating revenue consists of interest earnings on the funds the RTAA has on deposit. Non-rate base revenue is revenue received that does not go into the calculation of the landing fees and rental rates. Passenger Facility Charges (PFC) are the main source of non-rate base revenues, but also included are the gain or loss on sale of capital assets, jet fuel revenue, and insurance settlement proceeds. The following represents the RTAA's summary of non-operating revenue and non-rate base revenues by source for the years ended June 30:

	2005	2004	% Change	2003	% Change
Interest Income	\$ 1,370,190	\$ 345,940	296%	\$ 1,310,023	-74%
Passenger facility charge revenue	8,771,723	10,343,967	-15%	8,348,271	24%
Jet Fuel Revenue	101,250	(113,141)	189%	-	-100%
Gain (loss) on sale of capital assets	1,311,777	40,043	3176%	(47,882)	184%
Insurance settlement proceeds	30,000	16,264	84%	18,245,962	-100%
	<u>\$ 11,584,940</u>	<u>\$ 10,633,073</u>	<u>9%</u>	<u>\$ 27,856,374</u>	<u>-62%</u>

The graphs below represent the percentage and source of the Airport's revenues for fiscal year ending 2005, 2004 and 2003.



- Operating revenues of \$39 million for 2004-2005 increased 9% over last years \$36 million. Airline landing fees and terminal building rents comprise 24% of the RTAA's operating revenues. The landing fee and rental revenues are the result of calculations pursuant to provisions of airline operating and terminal building lease agreements. The landing fee or rental revenues, therefore, are not accurate indicators of the level of activity at the airport.

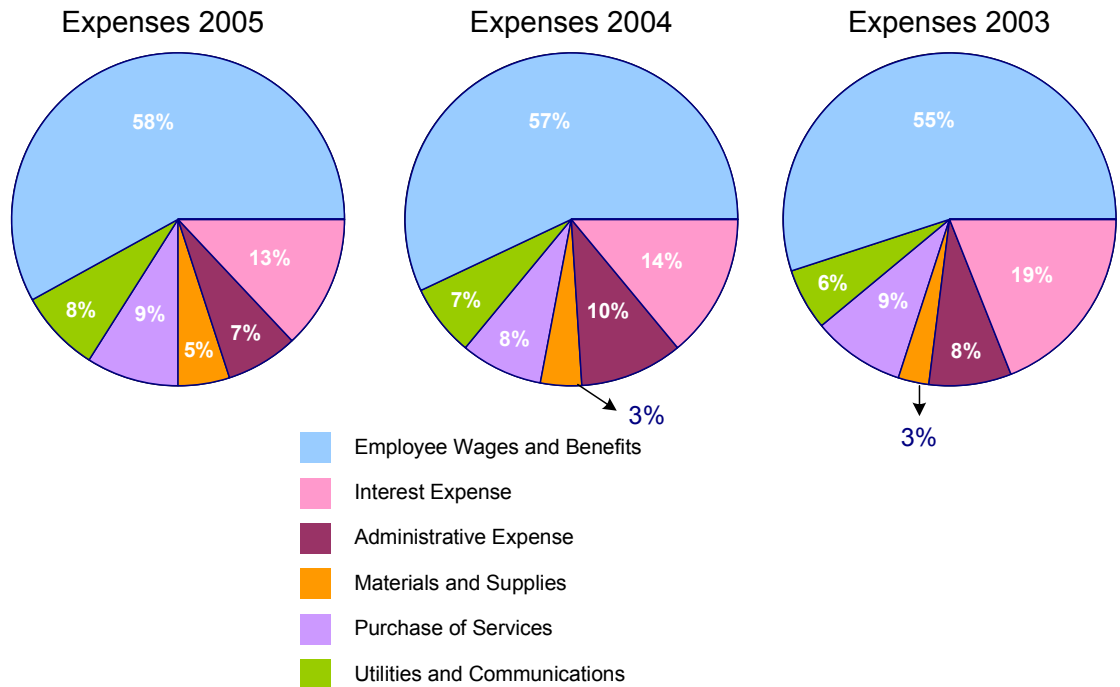
- Parking and ground transportation makes up the next largest revenue source with 17% of total revenue. Parking revenue is up 15% from the prior year. Effective January 14, 2005 the daily maximum charge for every 24-hour period in the short-term parking garage increased from \$12.00 to \$14.00. Also the maximum charge for a lost ticket increased from \$10.00 to \$14.00.
- As depicted in the above graph, concession revenue which includes auto rental, gaming, food and beverage, merchandising, advertising, and other concessions comprise 25% of the total RTAA's revenues for fiscal year 2005. Concession revenue increased 9% this year with increases of 15% in food and beverage sales and 15% in ground handling revenues.
- Non-operating revenues of \$12 million increased 9% over last year's \$11 million. This increase is primarily composed of the increase on sale of capital assets. In 2004-2005, the RTAA sold property at RTIA and Reno-Stead for a gain of \$568,732. A gain of \$710,022 was recorded from the land exchange and sale with the Regional Transportation Commission.
- Passenger Facility Charges comprises 18% of total revenue. These funds are collected based on enplaned passengers by the airlines and remitted to the RTAA monthly. This year shows a decrease of 15% due to the RTAA's amendment of its PFC 8 application; the approved PFC collection rate was reduced from \$4.50 to \$3.00 for a portion of the 2005 fiscal year.
- Interest income, reimbursements for services and other revenue make up the last three revenue sources with 3%, 1%, and 1%, respectively. Interest income represents the earnings on investments. Reimbursements for services includes tenant payments for reimbursement of services such as utilities, disposal fees, administrative fees and security costs and other revenue consists of insurance proceeds, late fees and discounts.

Expenses

The RTAA's operating expenses increased 6% in 2005 and total expenses increased 5%. The following represents the RTAA's summary of expenses (excluding depreciation) by source for the years ended June 30:

	2005	2004	% Change	2003	% Change
Employee wages and benefits	\$ 18,158,194	\$ 17,267,109	5%	\$ 16,194,694	7%
Utilities and communications	2,425,659	2,071,461	17%	1,918,689	8%
Purchase of services	2,801,432	2,374,891	18%	2,795,490	-15%
Materials and supplies	1,524,721	1,057,637	44%	1,034,323	2%
Administrative expenses	2,167,021	2,855,358	-24%	2,397,453	19%
Total operating expenses	\$ 27,077,027	\$ 25,626,456	6%	\$ 24,340,649	5%
Interest expense	\$ 4,126,651	\$ 4,227,792	-2%	\$ 5,729,405	-26%
Total expenses	\$ 31,203,678	\$ 29,854,248	5%	\$ 30,070,054	-1%

The graphs below represent the percentage and source of the Airport's expenses for fiscal year ending 2005, 2004 and 2003.



- Employee wages and benefits of \$18.2 million comprise 58% of total costs. There was a 5% increase over last year's total of \$17.3 million. This increase is expected and budgeted to cover annual merit increases, increased cost of insurance and to provide for additional employees approved in the budget year.
- Utilities and communications expense of \$2.4 million displayed an increase of 17.0%. This increase reflects the increase in utility charges for electricity, natural gas, and water fees and for these fees associated with the additional properties acquired this past year. Utilities and communications represent 8% of total expenses.
- Purchase of services expense, which includes professional and purchased services of \$2,801,432, increased by 18% over prior year. Purchase of services expense represents 9% of expenses.
- Materials and supplies expense of \$1,524,721 increased 44% over the prior year of \$1,057,637. This increase is a reflection of increases in several different areas such as office supplies, paper and postage, ice control chemicals, diesel fuel, vehicle repairs, and asphalt and cement patch materials. Materials and supplies make up 5% of expenses.
- Administrative expenses consist of 7% of total costs. Costs of \$2.2 million decreased 24% from the prior fiscal year of \$2.8 million. This decrease is predominantly due to reduced insurance premiums.

Summary of Changes in Net Assets

The following represents the RTAA's summary of changes in net assets for the years ended June 30:

	2005	2004	% Change	2003	% Change
Total Operating Revenues	\$ 39,090,139	\$ 36,008,640	9%	\$ 34,552,284	4%
Total Operating Expenses	27,077,027	25,626,456	6%	24,340,649	5%
Operating Income Before Depreciation and Amortization	12,013,112	10,382,184	16%	10,211,635	2%
Depreciation and Amortization	(17,374,021)	(17,044,725)	2%	(15,516,102)	10%
Operating Income	(5,360,909)	(6,662,541)	19%	(5,304,467)	26%
Non-Operating Revenues (Expenses)	7,458,289	6,405,281	16%	22,126,969	-71%
Capital Contributions	19,279,194	21,076,563	-9%	16,764,255	26%
Increase in Net Assets	21,376,574	20,819,303	3%	33,586,757	-38%
Net Assets, Beginning of Year	305,335,308	284,516,005	7%	250,929,248	13%
Net Assets, End of Year	\$ 326,711,882	\$ 305,335,308	7%	\$ 284,516,005	7%

- Total operating revenues increased 9% while operating expenses increased 6%. Operating income before depreciation and amortization increased 16%.
- Depreciation and amortization expense increased slightly, from \$17,004,725 to \$17,374,021 in 2004-2005. Non-operating revenue increased 16%. This increase is primarily composed of the increase on sale of capital assets.
- Capital Contributions decreased 9% in 2004-2005. Capital Contributions is comprised mainly of federal grants from the United States Department of Transportation.

CAPITAL ASSETS

The RTAA's investment in capital assets as of June 30, 2005 is \$319.9 million, net of depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, and equipment. The total increase in the investment in capital assets for year 2004-2005 was 2% or \$5.3 million.

Major capital asset events during fiscal year 2005 included the following:

- Completed projects at RTAA that were funded by federal grants amounted to \$1.7 million and include the terminal hardening plan, AARF vehicles and airfield signage.
- Completed projects that were funded by PFC revenue including the installation of eight jet bridges and airfield signage.
- \$8.5 million was expended on land acquisition and noise mitigation through the Part 150 noise program and funded by federal grants.

- Equipment purchases totaled \$1.5 million, which included the acquisition of rotating advertising cubes, office furniture, terminal seating, vehicles and speed monitoring trailers.

The RTAA's investment in capital assets as of June 30, 2004 was \$314.6 million, net of depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, and equipment. The total increase in the investment in capital assets for year 2003-2004 was 4% or \$13.1 million.

Major capital asset events during fiscal year 2004 included the following:

- Projects completed or started at RTAA that were funded by federal grants included the National Geodisic Survey, airfield pavement projects, and a runway safety area reconstruction.
- Completed projects that were funded by PFC revenue include the ticket lobby entry vestibules and tile project, terminal area master plan, and the flight informational display units.
- Major projects completed include the curbside canopy, security checkpoint upgrades, and terminal building floor repairs and windows.
- \$8.7 million was expended on land acquisition and noise mitigation through the Part 150 noise program and funded by federal grants.
- Equipment purchases totaled \$3.0 million, which included the acquisition of office furniture, hold room seating, terminal carpeting, and vehicles.

The following represents the RTAA's capital assets for the years ended June 30:

	2005	2004	2003
Land	\$ 119,230,049	\$ 113,732,537	\$ 105,041,236
Construction in Progress	35,719,122	24,928,188	11,485,905
Buildings, Improvements, and Equipment	164,964,773	175,910,050	184,935,241
Total	<u>\$ 319,913,944</u>	<u>\$ 314,570,775</u>	<u>\$ 301,462,382</u>

For additional information on capital asset activity, see note 5.

DEBT ADMINISTRATION

As of June 30, 2005, the RTAA had approximately \$78 million (without regard to discounts or premiums) of outstanding revenue bonds. The payment of the RTAA's revenue bonds is insured by the Municipal Bond Investors Assurance Corporation. Since the bonds are insured, they are rated AAA by Moody's and AAA by Standard and Poor's, which is also the rating of the insurance company.

	2005	2004	2003
1993A			\$ 8,545,000
1996A	\$ 29,460,000	\$ 29,460,000	29,460,000
1996B	3,605,000	4,300,000	4,950,000
2002	17,375,000	17,375,000	17,375,000
2003	27,535,000	29,215,000	29,215,000
Total debt	<u>\$ 77,975,000</u>	<u>\$ 80,350,000</u>	<u>\$ 89,545,000</u>

The Airport System Revenue Bonds, Series 1993A in the amount of \$71 million were issued to fund the runway improvement project and were repaid over 10 years with grant proceeds and airport revenues. The grant proceeds amounts to repay the bond issue were under a 10 year Letter of Intent grant with the Federal government.

The Airport Revenue (Tax Exempt) bonds, Series 1996A and the Airport Revenue (Taxable) Bonds, Series 1996B were issued in May 1996 in the amount of \$36 million for the purpose of funds to finance the cost of the constructing a parking garage, the terminal access roadway system, and acquire land at the entrance to the airport.

The Series 2002 Airport Revenue Refunding Bonds of \$17 million were issued in May 2002 to provide funds together with other available moneys of the RTAA to refund \$13,385,000 aggregate principal of the then outstanding Series 1992A bonds maturing on July 1, 2003 and \$4,075,000 maturing on July 1, 2004. This financing was done to help stabilize airline rates during the next two years by deferring principal payments to future years.

The Series 2003 Airport Revenue Refunding bonds of \$29,215,000 were issued in March 2003 to provide sufficient funds, together with other available moneys of the RTAA, to redeem on July 1, 2003, \$29,840,000 aggregate principal amount of the outstanding Series 1993B bonds and pay certain costs of issuance including the bond premium of \$2,220,942. The difference between the net carrying amount of the old debt and the reacquisition price of \$1,543,442 has been deferred and will be amortized as a component of interest expense over the remaining life of the new debt per GASB 23.

The RTAA, unlike most local governments, has no debt limit or maximum debt per capita. The RTAA does have a rate maintenance covenant in its revenue bond resolutions requiring that net pledged revenues equal or exceed 125 percent of the senior revenue bond debt service or 100 percent of all debt service, whichever is greater. The RTAA has always met this requirement as is demonstrated in the Statistical Section of this report.

For additional information on bonds and other long-term debt, see Note 6.

PASSENGER FACILITY CHARGE (PFC)

In October 1993, the RTAA received approval from the Federal Aviation Administration (the FAA) to impose a PFC of \$3.00 per enplaned passenger. Collection began January 1, 1994. In May 2001 that amount increased to \$4.50 per enplaned passenger with collection beginning August 1, 2001. Due to the RTAA's amendment of its PFC application, the approved PFC collection rate was reduced from \$4.50 to \$3.00 for a portion of the 2005 fiscal year. For the fiscal year ending June 30, 2005, the RTAA has collected PFC's, including interest earnings thereon, totaling \$22 million. PFC's are collected by airlines on their passengers' ticket and remitted monthly to the RTAA. These funds are spent on a list of projects reviewed by the airlines in a process prescribed by the Federal Aviation Administration. This money must be segregated from all other airport revenues. For further details, see the Schedule of Passenger Facility Charges Collected and Expended in the Compliance Section of this report.

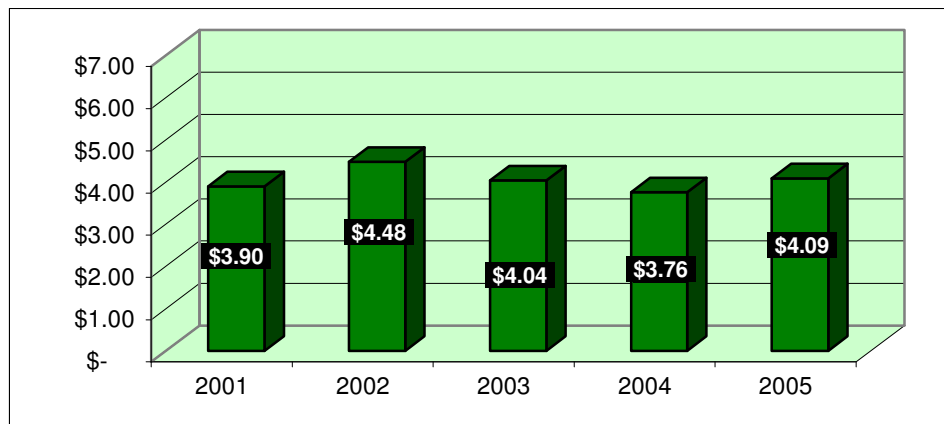
AIRLINE SIGNATORY RATES AND CHARGES

The RTAA and certain airlines negotiated an Airline Use and Lease Agreement effective July 1, 1996 for five years with two mutually agreed upon three-year extensions. The first extension expired June 30, 2004 and the second will expire June 30, 2007. Airlines that have signed this agreement are called signatory airlines. For 2004-2005, signatories to the Agreement include ten commercial and three cargo airlines.

The current airline agreement's rate setting formula is a derivation of what is known as a compensatory rate setting formula. In this formula, the airport is divided into cost centers. The RTAA's five cost centers are Airfield, Terminal Building, Parking and Ground Transportation, Other and Reno Stead Airport. The airline cost centers of the Airfield and Terminal Building are used in the calculation of the landing fee and rental rate. The final rates and charges for the airlines are as follows:

	2005	2004	% Change	2003	% Change
Landing Fee Rate (per 1,000 pounds)					
Signatory Airlines	1.29	1.16	11%	1.41	-18%
Non-Signatory Airlines	1.83	2.09	-12%	1.86	12%
RON (Ramp Over Night) fee of current					
Signatory Landing Fee Rate	0.20	0.18	11%	0.22	-18%
Non-Signatory RON fee of current					
Signatory Landing Fee Rate	0.28	0.52	-46%	0.46	13%
Terminal Rental Rate (Average)	49.30	41.18	20%	37.7	9%

Comparing the operating results of airports is difficult. The landing fee and rental rates of airports are not comparable because of the different airline operating agreements used to calculate those fees. Because of this, an airport's economic impact per airline passenger is used to compare the financial performance of airports. This impact is called the airline cost per enplanement, which is the total fees paid by the airlines to the airport divided by the number of passengers boarding aircraft. The chart below presents the history of the cost per enplaned passenger.



REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the financial activity and condition of the RTAA to all having such an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Reno-Tahoe Airport Authority, Accounting Division, P.O. Box 12490, Reno, NV 89510-2490.

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2005 AND 2004

ASSETS	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	\$28,217,887	\$35,325,049
Investments	22,517,781	18,257,405
Accounts receivable, net	2,989,435	1,766,450
Interest receivable	172,052	99,333
Inventory	382,028	335,719
Total unrestricted assets	<u>54,279,183</u>	<u>55,783,956</u>
Restricted Assets:		
Cash and cash equivalents	23,432,390	21,692,198
Investments	15,610,122	7,644,382
Accounts receivable, net	620,556	4,488,785
Interest receivable	133,877	57,084
Total restricted assets	<u>39,796,945</u>	<u>33,882,449</u>
Total Current Assets	<u>94,076,128</u>	<u>89,666,405</u>
NON-CURRENT ASSETS		
Capital Assets:		
Land	119,230,049	113,732,537
Construction in progress	35,719,122	24,928,188
Buildings, improvements, and equipment net of depreciation	<u>164,964,773</u>	<u>175,910,050</u>
Total Capital Assets	<u>319,913,944</u>	<u>314,570,775</u>
Other Assets:		
Development rights, net	1,870,167	1,943,268
Road credits	1,729,139	0
Bond issue costs and other deferred charges, net	1,311,358	1,479,808
Surety bond, net	<u>124,583</u>	<u>142,533</u>
Total Other Assets	<u>5,035,247</u>	<u>3,565,609</u>
TOTAL ASSETS	<u><u>\$419,025,319</u></u>	<u><u>\$407,802,789</u></u>

LIABILITIES AND NET ASSETS	2005	2004
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable	\$2,723,158	\$3,662,551
Construction contracts payable	1,397,199	4,040,734
Rents received in advance	132,510	499,917
Accrued payroll	1,909,787	1,759,834
Total payable from unrestricted assets	6,162,654	9,963,036
Payable from Restricted Assets:		
Current portion of long-term debt	3,970,000	2,375,000
Accrued interest	2,073,119	2,123,686
Construction contracts payable	394,438	1,001,570
Total payable from restricted assets	6,437,557	5,500,256
Total Current Liabilities	12,600,211	15,463,292
NON-CURRENT LIABILITIES		
Revenue bonds, net and notes payable	74,069,248	78,058,810
Deposits and unearned revenues	5,104,869	8,126,754
Reclamation liability	539,109	818,625
Total Non-Current Liabilities	79,713,226	87,004,189
Total Liabilities	92,313,437	102,467,481
NET ASSETS		
Invested in Capital Assets, net of Related Debt	241,394,417	230,574,469
Restricted for:		
Revenue bond operations and maintenance	4,713,700	4,703,382
Renewal and replacement	784,037	785,032
Passenger facility charge projects	21,908,717	15,225,018
Debt service	3,976,576	2,375,388
Flood grant	4,777,391	3,004,503
Other reserve purposes	403,741	376,348
Total Restricted	36,564,162	26,469,671
Unrestricted	48,753,303	48,291,168
Total Net Assets	326,711,882	305,335,308
TOTAL LIABILITIES AND NET ASSETS	\$419,025,319	\$407,802,789

See accompanying notes

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING REVENUES		
Landing fees	\$5,801,560	\$5,798,888
Concession revenue	12,618,012	11,595,147
Parking and ground transportation	9,082,135	7,928,016
Rentals	11,102,359	9,552,561
Reimbursements for services	477,425	940,509
Other revenue	8,648	193,519
Total operating revenues	<u>39,090,139</u>	<u>36,008,640</u>
OPERATING EXPENSES		
Employee wages and benefits	18,158,194	17,267,109
Utilities and communications	2,425,659	2,071,461
Purchase of services	2,801,432	2,374,891
Materials and supplies	1,524,721	1,057,637
Administrative expenses	2,167,021	2,855,358
Total operating expenses	<u>27,077,027</u>	<u>25,626,456</u>
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	<u>12,013,112</u>	<u>10,382,184</u>
Depreciation and amortization:		
Depreciation	17,114,521	16,785,523
Amortization of development rights	73,101	73,101
Amortization of deferred charges	186,399	186,101
Total depreciation and amortization	<u>17,374,021</u>	<u>17,044,725</u>
OPERATING INCOME (LOSS)	<u>(5,360,909)</u>	<u>(6,662,541)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,370,190	345,940
Passenger facility charge revenue	8,771,723	10,343,967
Jet fuel tax revenue	414,908	375,000
Jet fuel tax expenses	(313,658)	(488,141)
Gain (loss) on sale of capital assets	1,311,777	40,043
Insurance settlement proceeds	30,000	16,264
Interest expense	(4,126,651)	(4,227,792)
Total non-operating revenues (expenses)	<u>7,458,289</u>	<u>6,405,281</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	2,097,380	(257,260)
CAPITAL CONTRIBUTIONS	<u>19,279,194</u>	<u>21,076,563</u>
NET ASSETS		
Increase in net assets	21,376,574	20,819,303
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>305,335,308</u>	<u>284,516,005</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$326,711,882</u></u>	<u><u>\$305,335,308</u></u>

See accompanying notes

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 34,477,863	\$ 38,355,591
Cash paid to employees	(18,008,241)	(17,110,063)
Cash paid to suppliers	<u>(10,184,051)</u>	<u>(8,544,503)</u>
Net cash provided by operating activities	<u>6,285,571</u>	<u>12,701,025</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	23,147,423	16,819,822
Passenger facility charges	8,771,723	10,343,967
Acquisition and construction of capital assets	(28,556,938)	(25,549,985)
Proceeds from sale of capital assets	2,431,219	46,425
Principal paid on bonds and other long-term obligations	(2,375,000)	(9,195,000)
Cash received from bond closing account	0	9,836
Jet fuel activity	101,250	(113,141)
Insurance settlement proceeds	30,000	16,264
Interest paid on bonds and other long-term obligations	<u>(4,196,780)</u>	<u>(4,128,671)</u>
Net cash provided by (used in) capital and related financing activities	<u>(647,103)</u>	<u>(11,750,483)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of interest	1,220,678	566,945
Sale (purchase) of investments	<u>(12,226,116)</u>	<u>(9,410,487)</u>
Net cash provided by (used in) investing activities	<u>(11,005,438)</u>	<u>(8,843,542)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(5,366,970)</u>	<u>(7,893,000)</u>
CURRENT AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>57,017,247</u>	<u>64,910,247</u>
CURRENT AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 51,650,277</u></u>	<u><u>\$ 57,017,247</u></u>

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	(\$5,360,909)	(\$6,662,541)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	17,114,521	16,785,523
Amortization of development rights	73,101	73,101
Amortization of deferred charges	186,400	186,101
(Increase) Decrease in Assets:		
Accounts receivable, net	(1,222,985)	150,702
Inventory	(46,309)	(105,289)
Increase (Decrease) in Liabilities:		
Accounts payable	(939,393)	(46,194)
Rents received in advance	(367,407)	(52,158)
Accrued payroll	149,953	157,046
Reclamation liability	(279,516)	(33,673)
Deposits and unearned revenues	(3,021,885)	2,248,407
Net cash provided by operating activities	<u>\$6,285,571</u>	<u>\$12,701,025</u>

Noncash investing activities:

The net decrease in the fair value of investments was \$150,384 at June 30, 2005 and \$213,970 at June 30, 2004.

Capital asset activity for 2005:

Road credits received on land sale	\$ 1,869,972
Road credits used for acquisition	(140,833)
	<u>\$ 1,729,139</u>
Capital assets received by trade	<u>\$ 277,324</u>

See accompanying notes

**RENO-TAHOE AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

1. Organization and Reporting Entity

Organization:

The Reno-Tahoe Airport Authority (the "Authority") (formerly the Airport Authority of Washoe County) was created on July 1, 1977 by an act of the Nevada Legislature for the purpose of operating Reno-Tahoe International Airport and Reno Stead Airport.

Reporting Entity:

The Authority is an independent reporting entity and not a component unit of another government. This conclusion is based on the following criteria:

1. Composition of the Board.

The nine member Governing Board is appointed as follows: four members by the Reno City Council, two members by the Sparks City Council, two members by Washoe County Commissioners, and one member by the Reno-Sparks Convention & Visitors Authority. The Board directs the Executive Director who is responsible for staffing of the Authority departments. The Authority is responsible for the day-to-day operations at the two airports.

2. Accounting for fiscal matters.

The Authority is responsible for reviewing, approving, and revising its budget. The Authority is solely responsible for financing the entity's deficits and has sole control of its surplus funds, restricted only by the Authority's Bond Resolutions and underlying Lease and Use Agreements.

The Authority collects revenues, controls disbursements and has title to all assets. The Authority establishes fees and charges and negotiates contracts with commercial enterprises.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, using the economic resources focus, whereby revenues and expenses are recognized in the period earned or incurred, regardless of when the related cash flows take place. All transactions are accounted for in a single enterprise fund.

Revenues from landing fees, rents, parking revenue and other miscellaneous sources are reported as operating revenues. Transactions, which are capital, financing or investing related, are reported as non-operating revenues. Passenger Facility Charges are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

2. Summary of Significant Accounting Policies (continued)

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that use Proprietary Fund Accounting", the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with maturities of three months or less when purchased to be cash equivalents.

Capitalization of Interest

The Authority capitalizes, as a part of the historical cost of constructing assets for its own use, a portion of the net interest cost incurred during the construction period. For the years ended June 30, 2005 and 2004 there was no interest cost incurred that was capitalized.

Development Rights

Development rights, which preclude residential development near the Reno-Tahoe International Airport, are recorded at cost and amortized on the straight-line method over forty (40) years.

Regional Road Impact Fee Credits

The regional road impact fee is a one time assessment to pay for new roads or improvements to existing roads needed to serve traffic from a new development. This fee is paid at the time a building permit is issued. The Authority owns credits for the fees, and can use them as needed or sell them to others until they expire June 26, 2023.

Landing Fees and Terminal Building Rents

Landing fees and rents are set based on estimates of airline activity, revenues and expenses. The actual landing fees and rental rates that should have been collected are calculated at year-end. Over-collections and under-collections are netted and recorded on the Statement of Net Assets as accounts receivable or accounts payable.

Capital Contributions

Certain expenses for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), with certain matching funds provided by the Authority. Capital funding provided under government grants is considered earned as the related allowable expenses are incurred.

Grants for the acquisition and construction of land, property and certain types of equipment are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenue and expenses as capital contributions.

2. Summary of Significant Accounting Policies (continued)

Budgets

The Authority adheres to the Local Government Budget and Finance Act established by state statute. The filing deadlines and procedures during fiscal year 2005 were as follows:

1. On or before April 15 the Board of Trustees must adopt and file a tentative operating budget with the State Department of Taxation.
2. Public hearings on the tentative budget are held the third week of May.
3. On or before June 1 the final budget is adopted by a majority vote of the Board of Trustees.
4. The budget is adopted on the accrual basis. Actual operating and non-operating expenses may not exceed budgeted appropriations. Budget augmentations that change the total revenues or expenses must be approved by a resolution of the Board of Trustees and filed with the Department of Taxation. Unexpended appropriations lapse at year-end.

The budget was amended from the original amounts during the year ended June 30, 2005.

Compensated Absences

Employees accrue vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or working on holidays. Vacation pay and compensatory time vests as earned and sick pay vests after five years of service at the rate of 12.5%, after 10 years at the rate of 25% and after 15 or 20 years at the rate of 50% for certain represented employees. Sick pay also vests for certain represented employees after 880 hours have been accumulated. For exempt management employees, sick leave is paid at \$4 per hour. The liability for compensated absences is a current liability included in accrued payroll.

Inventory

Inventory is valued at cost, which is determined by the first in - first out method. Inventory items are recorded as assets when purchased and expensed as consumed.

Passenger Facility Charge (PFC) Revenue

Due to the Authority's amendment of its PFC 8 application, the approved PFC collection rate was reduced from \$4.50 to \$3.00 for a portion of the 2005 fiscal year. Several FAA approved projects are being funded by the PFC collections. The PFC revenues are collected by the airlines and remitted monthly to the Authority. They are recognized by the Authority as they are received, and are included in non-operating revenues.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2004 financial statements have been reclassified to conform to the 2005 presentation.

3. Cash, Cash Equivalents and Investments

The Authority accounts for its investments in accordance with GASB 31, which requires investments to be stated at fair value. The unrealized loss on investments held at June 30, 2005, was \$150,384. The unrealized loss on investments held at June 30, 2004, \$213,970.

Of the June 30, 2005, carrying amount for cash as shown below, \$3,016,800 was deposited by the Authority in bank accounts with a corresponding bank balance of \$2,512,488. Of that amount, Federal Depository Insurance covered \$100,000. Pursuant to Nevada Revised Statutes, the remaining balance was collateralized by mortgage-backed securities with a market value of \$6,793,140. These securities are held by the bank in the Authority's name.

Of the June 30, 2004, carrying amount for cash as shown below, \$2,367,103 was deposited by the Authority in bank accounts with a corresponding bank balance of \$2,312,766. Of that amount, Federal Depository Insurance covered \$100,000. Pursuant to Nevada Revised Statutes, the remaining balance was collateralized by mortgage-backed securities with a market value of \$4,808,834. These securities are held by the bank in the Authority's name.

Cash, Cash Equivalents and Investments consist of the following as of June 30:

	<u>2005</u>	<u>2004</u>
Cash	\$ 3,016,800	\$ 2,367,103
Cash Equivalents:		
Short-Term Investments and		
Money Market Fund Treasury	6,136,987	15,617,578
Commercial Paper maturing within		
one month	<u>42,496,490</u>	<u>39,032,566</u>
Total Cash and Cash Equivalents	51,650,277	57,017,247
Investments:		
Mortgage Backed Securities		
maturing within five years	<u>38,127,903</u>	<u>25,901,787</u>
Total Cash, Cash Equivalents		
and Investments	89,778,180	82,919,034
Less Unrestricted Cash, Cash Equivalents and		
Investments	<u>50,735,668</u>	<u>53,582,454</u>
Total Restricted Cash, Cash Equivalents		
and Investments	<u>\$ 39,042,512</u>	<u>\$ 29,336,580</u>

3. Cash, Cash Equivalents and Investments (continued)

Interest Rate Risk. Interest rate risk is the risk of possible reduction in the value of a security resulting from a rise in interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in statute or resolutions.

Credit Risk. State statutes and the Authority's revenue bond resolutions authorize investments in direct obligations of, or obligations guaranteed by the United States of America. The Authority may also invest in commercial paper (rated A-1 or better by Standard & Poor's or P-1 by Moody's) or interests in short-term investment trust funds restricted to the investment obligations described above. The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2005, and 2004 Standard & Poor's had rated the mortgage backed securities as AAA. At June 30, 2005 and 2004 the following investments equaled or exceeded 5% of the Authority's total:

Mortgage backed securities:	<u>2005</u>	<u>2004</u>
Federal Home Loan Banks	90%	92%
Federal National Mortgage Association	10%	8%

Restricted cash, cash equivalents and investments represent funds deposited with the trustee which are restricted as to use pursuant to the revenue bond resolutions as discussed in Note 6. The resolutions also impose limitations as to the disposition of related interest income.

4. Accounts Receivable

The following amounts represent receivables due to the Authority at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Current:		
Unrestricted:		
Accounts Receivable	\$ 3,126,583	\$ 1,960,009
Less allowance for uncollectibles	<u>137,148</u>	<u>193,559</u>
Total Current Unrestricted Receivables	<u>\$ 2,989,435</u>	<u>\$ 1,766,450</u>
Restricted:		
Accounts Receivable from Federal Aviation Administration	<u>\$ 620,556</u>	<u>\$ 4,488,785</u>

The restricted accounts receivable in the accompanying Statements of Net Assets represent reimbursements due for project costs under Federal Aviation Administration (FAA) grants. When received, these amounts are required to be deposited with the Authority's revenue bond trustee, pursuant to the revenue bond resolutions as discussed in Note 6. All amounts due under FAA grants are subject to final approval by the FAA and an annual compliance audit by an independent auditor. However, the Authority believes that the receivable amounts recorded result from qualified expenses and, accordingly, an allowance for doubtful accounts is not required.

5. Capital Assets

Capital Assets are stated at historical cost and include property, equipment, and expenses that substantially increase the useful lives of existing assets. The Authority's policy is to capitalize assets with an initial cost of \$2,000 or more and estimated useful life of more than one year.

Capital asset balances and changes for the year ended June 30, 2005 are as follows:

	Balance June 30, 2004	Additions and Transfers	Deletions and Transfers	Balance June 30, 2005
Capital Assets, not being depreciated:				
Land	\$ 113,732,537	\$ 8,773,628	\$ (3,276,116)	\$ 119,230,049
Construction in progress	24,928,188	26,593,500	(15,802,566)	35,719,122
Total Capital Assets, not being depreciated	138,660,725	35,367,128	(19,078,682)	154,949,171
Capital Assets, being depreciated:				
Improvements	225,020,986	847,095		225,868,081
Buildings	124,701,396	3,760,043		128,461,439
Equipment	17,083,684	1,562,106	(593,740)	18,052,050
Total Capital Assets, being depreciated	366,806,066	6,169,244	(593,740)	372,381,570
Less accumulated depreciation for:				
Improvements	103,635,641	9,235,216		112,870,857
Buildings	74,873,362	6,550,553		81,423,915
Equipment	12,387,013	1,328,752	(593,740)	13,122,025
Total Accumulated Depreciation	190,896,016	17,114,521	(593,740)	207,416,797
Total Capital Assets, being depreciated, net	175,910,050	(10,945,277)		164,964,773
Net Capital Assets	\$ 314,570,775	\$ 24,421,851	\$ (19,078,682)	\$ 319,913,944

Capital asset balances and changes for the year ended June 30, 2004 are as follows:

	Balance June 30, 2003	Additions and Transfers	Deletions and Transfers	Balance June 30, 2004
Capital Assets, not being depreciated:				
Land	\$ 105,041,236	\$ 8,691,301	\$	\$ 113,732,537
Construction in progress	11,485,905	29,570,082	(16,127,798)	24,928,188
Total Capital Assets, not being depreciated	116,527,141	38,261,381	(16,127,798)	138,660,725
Capital Assets, being depreciated:				
Improvements	223,589,380	1,431,606		225,020,986
Buildings	121,564,894	3,334,752	(198,250)	124,701,396
Equipment	14,594,946	3,000,356	(511,618)	17,083,684
Total Capital Assets, being depreciated	359,749,220	7,766,714	(709,868)	366,806,066
Less accumulated depreciation for:				
Improvements	94,381,418	9,254,223		103,635,641
Buildings	68,527,406	6,544,206	(198,250)	74,873,362
Equipment	11,905,155	987,094	(505,236)	12,387,013
Total Accumulated Depreciation	174,813,979	16,785,523	(703,486)	190,896,016
Total Capital Assets, being depreciated, net	184,935,241	(9,018,809)	(6,382)	175,910,050
Net Capital Assets	\$ 301,462,382	\$ 29,242,573	\$ (16,134,180)	\$ 314,570,775

5. Capital Assets (continued)

Depreciation of property and equipment is based on the straight-line method at various rates considered adequate to allocate the cost over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

	<u>Years</u>
Improvements	8-30
Buildings	10-30
Equipment	3-20

6. Long-Term Debt

The Series 1993A Airport Revenue Improvement (Letter of Intent) Bonds of \$71,000,000 were issued in April 1993 to provide, together with other available moneys of the Authority, sufficient funds to finance the acquisition and construction of a runways improvement project. The Federal Aviation Administration issued a Letter of Intent, dated September 29, 1992, with respect to this capital improvement project. In accordance with the provision of the Airway Improvement Act, the Letter of Intent evidences the intention of the FAA to obligate funds from its future budgetary authority to issue grants to pay the Authority for the federal share of allowable costs at the Airport for the project. Under the Letter of Intent, the maximum federal obligation for the project will not exceed \$71,000,000. The bonds were paid in full during the fiscal year ended June 30, 2004.

The Series 1996A Airport Revenue (Tax-Exempt) Bonds and the Series 1996B Airport Revenue (Taxable) Bonds were issued in May 1996 to provide, together with other moneys of the Authority, sufficient funds to finance the construction of a three story, 2,400 space parking garage in the main parking lot, a new terminal access roadway system to accommodate the parking garage, a passenger skyway to connect the parking garage to the terminal and acquisition of certain real property located adjacent to the Airport entrance.

The Series 2002 Airport Revenue Refunding bonds of \$17,375,000 were issued in May 2002, with an average net interest rate of 4.98% to provide sufficient funds, together with other available moneys of the Authority, to refund on July 1, 2002, \$13,385,000 aggregate principal of the outstanding Series 1992A bonds with an average net interest rate of 5.62%, advance redeem, all of the Series 1993B bonds maturing on July 1, 2003 and \$4,075,000 maturing on July 1, 2004 with an average net interest rate of 6.00%, and pay certain costs of issuance including the bond premium of \$924,929.

The difference between the net carrying amount of the old debt and the reacquisition price of \$640,223 has been deferred and will be amortized as a component of interest expense over the remaining life of the new debt per GASB 23. The main purpose of the financing was to keep airline rates stable during a projected two-year September 11th economic recovery but lower interest rates were also realized. This financing reduced the amount of debt service in the Authority's budget and airline rates in the 2004 and 2005 fiscal years by \$3.6 million and \$1.8 million, respectively.

The Series 2003 Airport Revenue Refunding bonds of \$29,215,000 were issued in March 2003, with an average net interest rate of 4.94% to provide sufficient funds, together with other available moneys of the Authority, to redeem on July 1, 2003, \$29,840,000 aggregate principal amount of the outstanding Series 1993B bonds with an average net interest rate of 6.00%, and pay certain costs of issuance including the bond premium of \$2,220,942. The difference between the net carrying amount of the old debt and the reacquisition price of \$1,543,442 has been deferred and will be amortized as a component of interest expense over the remaining life of the new debt per GASB 23.

6. Long-Term Debt (continued)

The Series 1996A and 1996B bonds with an aggregate principal of \$33,760,000 are subject to redemption prior to maturity, at the option of the Authority, beginning in fiscal year 2007. The 2002 and 2003 bonds with an aggregate principal of \$46,590,000 are not subject to redemption prior to maturity.

The revenue bond resolutions established certain cash and investments sub-accounts (referred to as "Funds"), in order to provide accountability for bond proceeds and pledged revenues and to assure adherence to restrictions on expenses.

All revenues, other than income derived from certain unrestricted investments, are defined in the bond resolutions as "Gross Pledged Revenues" (see Note 7), and are required to be deposited with the revenue bond trustee in the Revenue Fund, which is established by the revenue bond resolutions. Amounts required to meet operation and maintenance expenses are then expended. The remaining funds are allocated to additional accounts also established by the revenue bond resolution and held by the revenue bond trustee in the following amounts and order of priority:

Bond Fund Interest and Principal Accounts - deposits in amounts sufficient to meet the next required debt service payment on the revenue bonds.

Bond Reserve Account - an amount equal to the Minimum Securities Reserve. The Minimum Securities Reserve is the lesser of (a) the "combined average annual principal and interest requirements," or (b) an amount determined by adding the amount of the Minimum Securities Reserve in effect immediately prior to the issuance of Additional Securities to an amount equal to 10% of the proceeds, within the meaning of the Tax Code, of the then proposed to be issued Additional Securities. The Authority has chosen to satisfy the Minimum Securities Reserve by a Qualified Surety Bond.

Operation and Maintenance Reserve Fund - from amounts remaining after the above allocations and the payment of debt service on any subordinate securities which may be issued by the Authority, this fund receives an allocation in the amount necessary to reinstate over a one-year period a minimum reserve of 17% of the Authority's currently budgeted operation and maintenance expenses.

Renewal and Replacement Fund - \$10,000 per month until a specified maximum amount (currently \$781,000 but not less than \$600,000) determined by the Authority is accumulated as an emergency capital account.

Remaining funds are transferred then to the Authority's Special Fund in an amount aggregating 35% of annual gaming concession revenues.

Any remaining funds are transferred to the General Purpose Fund, to be used for additional construction, maintenance or other airport obligations.

The revenue bond resolutions require the Authority to meet a rate maintenance covenant whereby its annual revenues, after deducting operation and maintenance expenses and 35% of gaming concession revenues, must equal at least 125% of the revenue bond debt service requirement to be paid from such revenues. Agreements with airlines provide for this coverage and the rate maintenance covenant continues to be met for the years ended June 30, 2005 and 2004.

6. Long-Term Debt (continued)

Long-term debt activity for the year ended June 30, 2005 is summarized as follows:

	Balance June 30, 2004	New Debt	Principal Repayment	Discount/ Premium Amortization	Balance June 30, 2005
Revenue Bonds:					
Series 1996A	\$ 29,460,000	\$	\$	\$	\$ 29,460,000
Unamortized discount	(828,916)			37,965	(790,951)
Series 1996B	4,300,000		695,000		3,605,000
Series 2002	17,375,000				17,375,000
Unamortized premium	645,183			(129,060)	516,123
Deferred loss on refunding	(307,307)			153,654	(153,653)
Series 2003	29,215,000		1,680,000		27,535,000
Unamortized premium	1,884,436			(269,205)	1,615,231
Deferred loss on refunding	(1,309,586)			187,084	(1,122,502)
Total Revenue Bond Debt	80,433,810	\$ -	\$ 2,375,000	\$ (19,562)	78,039,248
Less current portion	(2,375,000)				(3,970,000)
Total long term debt	<u>\$78,058,810</u>				<u>\$74,069,248</u>

Long-term debt activity for the year ended June 30, 2004 is summarized as follows:

	Balance June 30, 2003	New Debt	Principal Repayment	Discount/ Premium Amortization	Balance June 30, 2004
Revenue Bonds:					
Series 1993A	\$ 8,545,000	\$	\$ 8,545,000	\$	\$
Series 1996A	29,460,000				29,460,000
Unamortized discount	(866,881)			37,965	(828,916)
Series 1996B	4,950,000		650,000		4,300,000
Series 2002	17,375,000				17,375,000
Unamortized premium	774,243			(129,060)	645,183
Deferred loss on refunding	(460,961)			153,654	(307,307)
Series 2003	29,215,000				29,215,000
Unamortized premium	2,153,641			(269,205)	1,884,436
Deferred loss on refunding	(1,496,670)			187,084	(1,309,586)
Total Revenue Bond Debt	89,648,372	\$ -	\$ 9,195,000	\$ (19,562)	80,433,810
Less current portion	(9,195,000)				(2,375,000)
Total long term debt	<u>\$80,453,372</u>				<u>\$78,058,810</u>

6. Long-Term Debt (continued)

Maturities of long-term debt will require the following principal and interest payments (based on amounts outstanding at June 30, 2005):

<u>Bond year ended July 1,</u>	<u>Principal</u>	<u>Amount</u> <u>Interest</u>
2005	\$3,970,000	\$4,146,213
2006	6,000,000	3,930,578
2007	7,265,000	3,664,178
2008	7,660,000	3,272,186
2009	8,070,000	2,858,485
2010-2014	22,140,000	8,764,456
2015-2019	7,730,000	5,681,955
2020-2024	10,200,000	3,216,225
2025-2026	<u>4,940,000</u>	<u>426,360</u>
	<u>\$ 77,975,000</u>	<u>\$ 35,960,636</u>

7. Pledged Revenues

Pledged revenues consist of the following at June 30:

	<u>2005</u>	<u>2004</u>
Airport system revenues:		
Scheduled airline fees and rentals:		
Landing fees	\$ 4,105,862	\$ 3,887,388
Terminal building space rental	<u>6,566,099</u>	<u>5,504,360</u>
Total scheduled airline fees and rentals	10,671,961	9,391,748
Concession fees	12,618,012	11,970,147
Other operating revenue	15,800,166	14,646,745
Non-operating revenues	<u>728,223</u>	<u>244,461</u>
Gross pledged revenues	39,818,362	36,253,101
Transfers – General Purpose Fund for		
Letter of Intent (“LOI”) Bond debt service	647,661	654,578
Airline revenue share from prior year	1,653,595	2,246,836
Airport system operation and maintenance expenses	(27,077,027)	(25,626,456)
35% of gaming revenue	<u>(1,079,961)</u>	<u>(882,000)</u>
Net pledged revenues	<u>\$ 13,962,630</u>	<u>\$ 12,646,059</u>
Debt Service Coverage Required	<u>\$ 10,145,266</u>	<u>\$ 8,277,935</u>

Debt Service Coverage Requirement is the greater of the following:

125% of Senior Revenue Bond Debt Service	<u>\$ 10,145,266</u>	<u>\$ 8,277,935</u>
100% of All Debt Service	<u>\$ 8,116,213</u>	<u>\$ 6,622,348</u>

8. Leases

Substantially all of the property owned by the Authority is subject to non-cancelable leases and concession agreements. Of the rental and concession income amounts shown in the accompanying Statements of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2005 and 2004, \$12,618,012 and \$11,595,147, respectively, result from rentals or concessions calculated as a percentage of the gross receipts of the lessee or concessionaire or are attributable to specified minimum payments. Future minimum payments due to the Authority under such non-cancelable agreements are as follows for the years ended June 30:

2006	\$18,811,637
2007	19,338,732
2008	14,637,581
2009	11,708,423
2010	12,063,290
2011-2015	<u>6,560,665</u>
Total	<u>\$83,120,328</u>

9. Pension Plan

The Authority contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple employers, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employees Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Benefits for plan members are funded under one of two methods; the employer pay contribution plan or the employer/employee paid contribution plan. All of the employees of the Authority are under the employer pay contribution plan where the Authority is required to contribute all amounts due under the plan. The contribution requirements of the Authority are established by Chapter 286 of the Nevada Revised Statutes. The funding mechanism may only be amended through legislation. The Authority's contributions to PERS for the years ended June 30, 2005, 2004 and 2003 were \$ 2,646,981, \$2,345,361, and \$2,042,217, respectively, equal to the required contributions for the year. The contribution rate for the years ended June 30, 2005 and 2004 was 20.25% for regular members and 28.50% for fire and police members on all covered payroll. The contribution rate for the year ended June 30, 2003 was 18.75% for regular members and 28.50% for fire and police members on all covered payroll.

10. Capital Contributions

The Authority has received capital contributions as follows:

	<u>Inception to date</u>	<u>Year Ended 2005</u>	<u>Year Ended 2004</u>
Federal	\$260,454,835	\$19,273,344	\$21,076,563
State	250,331		
Other Sources	<u>4,271,904</u>	<u>5,850</u>	
Total	<u>\$264,977,070</u>	<u>\$19,279,194</u>	<u>\$21,076,563</u>

11. Commitments and Contingencies

The Authority has outstanding commitments for various construction projects. The following is a summary of the more significant of these commitments at June 30, 2005:

Taxiway and Runway Improvements	\$ 6,020,436
Airside Improvements	2,334,063
Landside Improvements	781,480
Terminal Building Improvements	123,301

Financial resources for these projects will come from Federal Aviation Administration grants and the General Purpose Fund, Special Fund, and Passenger Facility Charge revenue.

The Authority has entered into a Consent Decree in the case captioned “Nevada Division of Environmental Protection v. United States of America et al”. The Consent Decree, which relates to certain land located near the Reno Stead Airport that is currently owned by the Authority but not used in its operations, requires those parties who are identified to perform environmental investigation, monitoring, and remediation for any contamination found at the Reno Stead Airport. Other parties to this Consent Decree are the City of Reno, U.S. Department of Defense by and through the U.S. Army Corps of Engineers and various Lear entities. These parties are utilizing an interim allocation for costs to address contamination as follows: United States of America 51%, City of Reno 12%, Lear entities 18.5% and the Authority 18.5%. This year Lear entities paid a settlement amount to end the Lear entities’ participation. Pollution insurance was used to value this risk. “Project cost cap” and “pollution legal liability” insurance quotes were obtained and premium amounts allocated based on the Lear Entities’ contribution rate. The current estimate to complete work is approximately \$2,914,104 of which the Authority’s share is \$539,109. These costs are anticipated to be incurred over the next 30 years.

The Authority is a defendant in certain litigation arising out of the normal operation and ownership of the airports. Authority management and legal counsel estimate that the potential claims against the Authority will not materially affect the financial condition of the Authority.

12. Risk Management

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, police and public official liability, injuries to employees and customers, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Authority also provides employees with health, dental, vision and prescription benefits. These benefits (except prescription which is self funded) are covered by commercial insurance purchased from independent third parties.

Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

13. Subsequent Event

On July 19, 2005 the Authority issued Airport Revenue Refunding bonds, Series 2005 in the amount of \$29,775,000 for the purpose of refunding the Series 1996A bonds. Total interest costs over the 20 year life of the bond issue have been reduced by \$3.4 million. The life of the bond issue is not being extended beyond its original 2026 maturity. Annual interest savings average \$160,000. The interest rates on the old 1996A bonds were 5.625 percent, and 5.700 percent. The new 2005 bond interest rates range from 3.0 percent to 5.0 percent.

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
COMPARISON OF BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance Over (Under)
Operating revenues:				
Landing fees	\$ 6,097,187	\$ 6,097,187	\$ 5,801,560	\$ (295,627)
Concession revenue	10,265,900	10,265,900	12,618,012	2,352,112
Parking and ground transportation	7,777,100	7,777,100	9,082,135	1,305,035
Rentals	10,541,567	10,541,567	11,102,359	560,792
Reimbursements for services	0	392,275	477,425	85,150
Other revenue	2,025,225	2,025,225	8,648	(2,016,577)
Total Operating Revenues	36,706,979	37,099,254	39,090,139	1,990,885
Operating expenses:				
Employee wages and benefits	18,316,440	18,316,440	18,158,194	158,246
Utilities and communications	2,072,131	2,072,131	2,425,659	(353,528)
Purchase of services	2,712,785	3,105,060	2,801,432	303,628
Materials and supplies	1,360,498	1,360,498	1,524,721	(164,223)
Administrative expenses	2,615,699	2,615,699	2,167,021	448,678
Total Operating Expenses before depreciation and amortization	27,077,553	27,469,828	27,077,027	392,801
Depreciation and amortization	15,200,000	15,200,000	17,374,021	(2,174,021)
Total Operating Expenses	42,277,553	42,669,828	44,451,048	(1,781,220)
Operating income (loss)	(5,570,574)	(5,570,574)	(5,360,909)	209,665
Nonoperating revenues (expenses):				
Interest income	942,500	942,500	1,370,190	427,690
Passenger facility charge revenue	9,475,000	9,475,000	8,771,723	(703,277)
Jet fuel tax income	350,000	350,000	414,908	64,908
Jet fuel tax expense	0	0	(313,658)	(313,658)
Insurance settlement proceeds	0	0	30,000	30,000
Gain (loss) on sale of capital assets	0	0	1,311,777	1,311,777
Interest expense	(4,146,213)	(4,146,213)	(4,126,651)	19,562
Total Non-Operating Revenues (expenses)	6,621,287	6,621,287	7,458,289	837,002
Income (Loss) Before Capital Contributions	\$ 1,050,713	\$ 1,050,713	\$ 2,097,380	\$ 1,046,667

RENO-TAHOE AIRPORT AUTHORITY

Bond Year Ended	Airport Revenue (Tax-Exempt) Bonds		Airport Revenue (Taxable) Bonds		Airport Revenue Refunding Bonds		Airport Revenue Refunding Bonds		
	Series 1996A		Series 1996B		Series 2002		Series 2003		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
July 1								Total	
2005	\$0	\$1,672,148	\$745,000	\$263,165	\$3,225,000	\$857,900	\$0	\$1,353,000	\$8,116,213
2006	0	1,672,148	800,000	208,780	2,825,000	696,650	2,375,000	1,353,000	9,930,578
2007	0	1,672,148	860,000	150,380	3,585,000	583,650	2,820,000	1,258,000	10,929,178
2008	0	1,672,148	925,000	87,600	3,770,000	395,438	2,965,000	1,117,000	10,932,186
2009	715,000	1,672,148	275,000	20,075	3,970,000	197,512	3,110,000	968,750	10,928,485
2010	1,050,000	1,631,929	0	0	0	0	7,935,000	813,250	11,430,179
2011	1,110,000	1,572,866	0	0	0	0	8,330,000	416,500	11,429,366
2012	1,170,000	1,510,429	0	0	0	0	0	0	2,680,429
2013	1,240,000	1,444,616	0	0	0	0	0	0	2,684,616
2014	1,305,000	1,374,866	0	0	0	0	0	0	2,679,866
2015	1,380,000	1,301,460	0	0	0	0	0	0	2,681,460
2016	1,460,000	1,223,835	0	0	0	0	0	0	2,683,835
2017	1,540,000	1,141,710	0	0	0	0	0	0	2,681,710
2018	1,630,000	1,053,930	0	0	0	0	0	0	2,683,930
2019	1,720,000	961,020	0	0	0	0	0	0	2,681,020
2020	1,820,000	862,980	0	0	0	0	0	0	2,682,980
2021	1,925,000	759,240	0	0	0	0	0	0	2,684,240
2022	2,035,000	649,515	0	0	0	0	0	0	2,684,515
2023	2,150,000	533,520	0	0	0	0	0	0	2,683,520
2024	2,270,000	410,970	0	0	0	0	0	0	2,680,970
2025	2,400,000	281,580	0	0	0	0	0	0	2,681,580
2026	2,540,000	144,780	0	0	0	0	0	0	2,684,780
\$29,460,000 \$25,219,986 \$3,605,000 \$730,000 \$17,375,000 \$2,731,150 \$27,535,000 \$7,279,500 \$113,935,636									

RENO-TAHOE AIRPORT AUTHORITY
 RECAPITULATION OF CASH AND INVESTMENT ACCOUNTS AND SUB-ACCOUNTS
 ESTABLISHED BY REVENUE BOND RESOLUTIONS
 FOR THE YEAR ENDED JUNE 30, 2005

	Issuer Cash and Investment Accounts		Bond Fund				Trustee's Cash and Investment Accounts						
	Special Fund	Operation & Maintenance Fund	Interest Fund 1996	Principal Fund 1996	Bond Fund 2002	Bond Fund 2003	Operations & Maintenance Reserve Fund	Renewal & Replacement Fund	General Purpose Fund	Revenue Fund	Construction Fund	Parking Garage	Total Bond & Trustee Accounts
Beginning Balance July 1, 2004	\$3,948,309	\$2,083,800	\$993,024	\$695,000	\$428,250	\$2,381,700	\$4,666,663	\$784,854	\$13,965,015	\$2,563,500	\$220,191		\$26,698,197
Receipts:													
Gross pledged revenues received:													
Deposits from Airport revenues										41,044,284			41,044,284
Income received from investments pledged portion	685,316	40,377	8,542	7,195	31,419	6,242	135,667	11,011	344,919	19,005	3,468		567,468
Transfer among funds	577,350	(49,670)	1,925,823	737,816	4,052,177	1,346,758	(135,666)	428,989	15,094,145	(14,802,936)			8,647,106
Disbursements:													
Operation and maintenance expenses													
Equipment and capital outlay								(441,622)		(27,690,010)			(28,131,632)
Payment of revenue bond interest and principal										(1,350,026)			(1,350,026)
Other capital improvement expenses	(617,940)		(1,960,680)	(695,000)	(857,900)	(3,058,200)							(6,571,780)
Change in investments transactions	(5,000)	(7,476)							(8,716,482)		(221,120)		(8,937,602)
							9,390		42,292	-			51,682
Total at June 30, 2005	\$4,588,035	\$2,067,031	\$966,709	\$745,011	\$3,653,946	\$676,500	\$4,676,054	\$783,232	\$20,729,889	(\$216,183)	\$2,539		\$32,017,697
Components of ending balance:													
Cash	\$592,796	\$329	\$0	\$6	\$823	\$403	\$3,012	\$140,466	5,090,607	(\$216,183)	\$2,539		\$5,021,673
Investments and Cash Equivalents	3,995,239	2,066,702	966,709	745,005	3,653,123	676,097	4,673,042	642,766	15,639,282	-	-		26,996,024
	\$4,588,035	\$2,067,031	\$966,709	\$745,011	\$3,653,946	\$676,500	\$4,676,054	\$783,232	\$20,729,889	(\$216,183)	\$2,539		\$32,017,697



RENO-TAHOE AIRPORT AUTHORITY
SUMMARY OF OPERATING RESULTS
FOR THE YEARS ENDED JUNE 30, 1996-2005
(Unaudited)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Operating Revenues	\$30,617,319	\$33,772,246	\$35,318,786	\$35,831,166	\$36,287,629	\$36,443,234	\$34,326,951	\$34,552,284	\$36,008,640	\$39,090,139
Operating Expenses	(17,016,778)	(18,691,366)	(20,440,264)	(20,758,435)	(20,236,521)	(20,089,820)	(20,891,703)	(24,340,649)	(25,626,456)	(27,077,027)
Operating Income before Depreciation and Amortization	13,600,541	15,080,880	14,878,522	15,072,731	16,051,108	16,353,414	13,435,248	10,211,635	10,382,184	12,013,112
Depreciation and Amortization	(9,872,725)	(11,541,061)	(13,703,937)	(14,316,472)	(14,763,908)	(15,013,369)	(15,260,870)	(15,516,102)	(17,044,725)	(17,374,021)
Operating Income (loss)	3,727,816	3,539,819	1,174,585	756,259	1,287,200	1,340,045	(1,825,622)	(5,304,467)	(6,662,541)	(5,360,909)
Nonoperating Revenues and (Expenses):										
Interest Income	2,442,848	3,016,210	1,302,421	1,451,169	1,484,549	2,173,880	1,360,986	1,310,023	345,940	1,370,190
PFC Revenue	8,465,921	10,072,415	9,929,168	8,387,291	8,260,993	5,844,082	6,847,754	8,348,271	10,343,967	8,771,723
Insurance Proceeds							750,000	18,245,962	16,264	30,000
Jet Fuel									(113,141)	101,250
Reclamation Expense						(925,000)				
Interest Expense	(7,229,473)	(8,599,804)	(8,323,092)	(8,035,201)	(7,617,091)	(7,792,177)	(6,903,972)	(5,729,405)	(4,227,792)	(4,126,651)
Gain (Loss) on Sale of Assets					(2,192)	418,004	(80,587)	(47,882)	40,043	1,311,777
Subtotal	3,679,296	4,488,821	2,908,497	1,803,259	2,126,259	(281,211)	1,974,181	22,126,969	6,405,281	7,458,289
Income (Loss) Before Capital Contributions	\$7,407,112	\$8,028,640	\$4,083,082	\$2,559,518	\$3,413,459	\$1,058,834	\$148,559	\$16,822,502	(\$257,260)	\$2,097,380

RENO-TAHOE AIRPORT AUTHORITY
RATE MAINTENANCE COVENANT PERFORMANCE
FOR THE YEARS ENDED JUNE 30, 1996 - 2005
(Unaudited)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Operating Revenues	\$30,617,319	\$33,772,246	\$35,318,786	\$35,831,166	\$36,287,629	\$36,443,234	\$34,326,951	\$34,552,284	\$36,008,640	\$39,090,139
Trust Fund Investment										
Interest Income	1,964,750	1,844,155	1,248,737	1,392,638	1,377,257	1,785,895	1,268,375	1,200,102	244,461	728,223
Gross Pledged Revenues	32,582,069	35,616,401	36,567,523	37,223,804	37,664,886	38,229,129	35,595,326	35,752,386	36,253,101	39,818,362
Transfers - General Purpose Fund for LOI Bond Debt Service										
Airline revenue share prior year						672,753	679,517	656,730	654,578	647,661
Operating Expenses *	(17,207,050)	(18,691,366)	(20,440,264)	(20,758,435)	(20,236,521)	(20,089,820)	(20,891,703)	(24,340,649)	(25,626,456)	(27,077,027)
35% of Gaming Revenues	(1,076,250)	(1,119,357)	(1,183,779)	(1,142,939)	(971,819)	(969,523)	(933,202)	(882,000)	(882,000)	(1,079,961)
Net Pledged Revenues	\$14,298,769	\$15,805,678	\$14,943,480	\$15,322,430	\$16,456,546	\$20,570,305	\$16,999,938	\$12,608,413	\$12,646,059	\$13,962,630
125% of Revenue Bond Debt Service	\$11,188,549	\$13,881,720	\$13,880,708	\$13,882,613	\$12,412,351	\$14,533,705	\$14,530,776	\$7,030,344	\$8,277,935	\$10,145,266
Rate Maintenance Minimum Revenues	\$11,188,549	\$13,881,720	\$13,880,708	\$13,882,613	\$12,412,351	\$14,533,705	\$14,530,776	\$7,030,344	\$8,277,935	\$10,145,266

*Operating expenses for 1996 financial statement purposes include expenses of \$83,821, of bond fund expenses which do not affect the rate maintenance covenant.

RENO-TAHOE AIRPORT AUTHORITY
RENO/TAHOE INTERNATIONAL AIRPORT
OPERATIONAL STATISTICAL SUMMARY
FOR THE YEARS ENDED JUNE 30, 1996-2005
(Unaudited)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Enplanements (Scheduled and Non-Scheduled)	3,053,149	3,447,307	3,383,435	3,076,665	2,951,413	2,669,399	2,249,012	2,264,185	2,461,694	2,550,273
Airport Growth	8.2%	12.9%	-1.9%	-9.1%	-4.1%	-9.6%	-15.7%	0.7%	8.7%	3.6%
Annual Compounded Growth										-2.1%
Landed Weight (000 LBS.)	4,682,333	5,436,802	5,621,820	5,024,513	4,751,642	3,902,071	3,518,942	3,474,736	3,780,605	3,877,924
(Scheduled and Non-Scheduled)										
Airport Growth	8.4%	16.1%	3.4%	-10.6%	-5.4%	-17.9%	-9.8%	-1.3%	8.8%	2.6%
Air Carrier Operations	73,780	87,841	86,746	78,527	74,747	60,061	52,882	52,366	55,394	55,482
Airport Growth	14.6%	19.1%	-1.2%	-9.5%	-4.8%	-19.6%	-12.0%	-1.0%	5.8%	0.2%

Prior year numbers may change due to updated reports received after year end.

RENO-TAHOE AIRPORT AUTHORITY
RENO/TAHOE INTERNATIONAL AIRPORT
ENPLANEMENTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 1996-2005
(Unaudited)

Scheduled Airline	1996			1997			1998			1999			2000		
	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change
Alaska	136,231	5%	-1%	193,907	6%	42%	193,277	6%	0%	178,022	6%	-8%	128,043	4%	-28%
Aloha Airlines	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
America West	218,591	7%	-28%	174,447	5%	-20%	159,521	5%	-9%	161,068	5%	1%	165,655	6%	3%
American	102,259	3%	3%	97,864	3%	-4%	78,503	2%	-20%	80,078	3%	2%	650,232	22%	712%
Atlantic Southeast	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Continental	0	0%	0%	0	0%	0%	0	0%	0%	13,540	0%	0%	34,423	1%	154%
Frontier	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Horizon Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Mesa	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Northwest	79,483	3%	0%	106,771	3%	34%	163,222	5%	53%	136,567	4%	-16%	123,221	4%	-10%
Scenic	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Skywest	24,237	1%	0%	28,643	1%	18%	25,471	1%	-11%	22,582	1%	-11%	29,844	1%	32%
Southwest	955,085	32%	0%	932,996	28%	-2%	907,703	27%	-3%	944,487	31%	4%	1,066,053	36%	13%
United	212,616	7%	77%	309,445	9%	46%	327,438	10%	6%	323,801	11%	-1%	326,781	11%	1%
Allegiant Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Casino Express	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	10,684	0%	100%
American Transair	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	1,580	0%	100%
Canadian Air International	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	1,594	0%	100%
Champion Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	10,163	0%	100%
Delta	184,694	6%	-22%	208,479	6%	13%	221,700	7%	6%	228,025	7%	3%	225,247	8%	-1%
National	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Reno Air	923,417	31%	7%	1,169,630	35%	27%	1,222,032	36%	4%	908,968	30%	-26%	125,260	4%	-86%
Sierra Pacific/Sunwest	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Sunworld	0	0%	0%	0	0%	0%	0	0%	0%	162	0%	100%	1,268	0%	683%
TWA	48,216	2%	0%	72,926	2%	51%	84,568	2%	16%	75,131	2%	-11%	47,574	2%	-37%
United Express	62,281	2%	-52%	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%
Other	0	0%	-100%	9,135	0%	0%	0	0%	-100%	735	0%	100%	0	0%	0%
	2,947,110	100%	6%	3,304,243	100%	12%	3,383,435	100%	2%	3,073,166	100%	-9%	2,947,622	100%	-4%

Rounding errors may occur.

RENO-TAHOE AIRPORT AUTHORITY
RENO/TAHOE INTERNATIONAL AIRPORT
ENPLANEMENTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 1996-2005
(Unaudited)

Scheduled Airline	2001			2002			2003			2004			2005		
	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change
Alaska	113,411	4%	-11%	103,740	5%	-9%	114,267	5%	10%	181,866	7%	59%	173,865	7%	-4%
Aloha Airlines	0	0%	0%	0	0%	0%	113,223	5%	0%	32,133	1%	100%	43,378	2%	100%
America West	194,417	7%	17%	177,250	8%	-9%	198,392	8%	12%	206,307	8%	4%	228,743	9%	11%
American	381,984	14%	-41%	293,393	13%	-23%	233,442	10%	-20%	239,167	10%	2%	250,509	10%	5%
Atlantic Southeast	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	23,149	1%	0%
Continental	41,283	2%	20%	48,846	2%	18%	58,502	2%	20%	77,461	3%	32%	66,663	3%	-14%
Frontier	0	0%	0%	31,342	1%	100%	40,331	2%	29%	54,709	2%	36%	31,441	1%	-43%
Horizon Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	26,984	1%	0%
Mesa	0	0%	0%	0	0%	0%	1,265	0%	0%	0	0%	-100%	3,674	0%	0%
Northwest	95,394	4%	-23%	81,894	4%	-14%	87,121	4%	6%	91,230	4%	5%	82,998	3%	-9%
Scenic	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	1,586	0%	0%
Skywest	65,481	2%	119%	113,418	5%	73%	117,884	5%	4%	183,632	7%	56%	188,436	7%	3%
Southwest	1,248,606	47%	17%	1,112,648	50%	-11%	1,134,256	48%	2%	1,160,906	47%	2%	1,182,838	46%	2%
United	325,870	12%	0%	251,034	11%	-23%	256,635	11%	2%	204,840	8%	-20%	182,893	7%	-11%
Allegiant Air	19,094	1%	100%	183	0%	-99%	413	0%	126%	29,015	1%	6925%	28,731	1%	-1%
Casino Express	5,835	0%	-45%	88	0%	-98%	0	0%	-100%	35	0%	0%	88	0%	151%
American Transair	0	0%	-100%	1,050	0%	100%	0	0%	-100%	0	0%	0%	132	0%	0%
Canadian Air International	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Champion Air	3,693	0%	-64%	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%
Delta	169,805	6%	-25%	27,819	1%	-84%	0	0%	-100%	0	0%	0%	34,165	1%	0%
National	0	0%	0%	0	0%	0%	6,712	0%	100%	0	0%	-100%	0	0%	0%
Reno Air	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Sierra Pacific/Sunwest	2,527	0%	100%	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%
Sunworld	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
TWA	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
United Express	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Other	1,999	0%	100%	1,675	0%	-16%	0	0%	-100%	393	0%	0%	0	0%	100%
	2,669,399	100%	-9%	2,244,380	100%	-16%	2,362,443	100%	5%	2,461,694	100%	4%	2,550,273	100%	4%

Rounding errors may occur.

RENO-TAHOE AIRPORT AUTHORITY
RENO/TAHOE INTERNATIONAL AIRPORT
LANDED WEIGHTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 1996 - 2005
(Unaudited)

Scheduled Airline	1996			1997			1998			1999			2000		
	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change
Alaska	180,422	4%	-1%	256,528	5%	42%	253,050	5%	-1%	197,462	4%	-22%	143,705	3%	-27%
Aloha Airlines	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
America West	298,215	7%	-23%	213,107	4%	-29%	221,364	4%	4%	225,187	5%	2%	249,521	6%	11%
American	133,704	3%	22%	128,998	3%	-4%	106,256	2%	-18%	103,570	2%	-3%	1,099,902	25%	962%
Atlantic Southeast	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Continental	0	0%	0%	0	0%	0%	0	0%	0%	22,432	0%	0%	40,624	1%	81%
Frontier	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Horizon	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Mesa	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Northwest	112,956	3%	-5%	155,922	3%	38%	232,582	4%	49%	203,000	4%	-13%	182,092	4%	-10%
Scenic	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Skywest	45,229	1%	-41%	50,784	1%	12%	46,745	1%	-8%	44,196	1%	-5%	48,937	1%	11%
Southwest	1,474,948	34%	54%	1,569,433	30%	6%	1,566,715	30%	0%	1,539,102	33%	-2%	1,587,667	37%	3%
United	268,457	6%	79%	426,465	8%	59%	421,416	8%	-1%	412,936	9%	-2%	397,453	9%	-4%
Allegiant Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Airborne Express	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Federal Express	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
United Parcel Service	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Delta	346,553	8%	-23%	382,281	7%	10%	405,335	8%	6%	358,963	8%	-11%	323,853	7%	-10%
National	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Reno Air	1,383,534	31%	0%	1,851,760	36%	34%	1,920,124	36%	4%	1,505,840	32%	-22%	204,680	5%	-86%
TWA	70,930	2%	0%	93,990	2%	33%	106,230	2%	13%	93,340	2%	-12%	56,234	1%	-40%
Tristar	15,876	0%	0%	5,832	0%	-63%	0	0%	-100%	0	0%	0%	0	0%	0%
United Express	63,443	1%	-58%	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%
Other	4,763	0%	-98%	22,286	0%	368%	0	0%	-100%	0	0%	0%	0	0%	0%
	4,399,030	100%	2%	5,157,386	99%	17%	5,279,817	100%	2%	4,706,028	100%	-11%	4,334,668	100%	-8%

Rounding errors may occur

RENO-TAHOE AIRPORT AUTHORITY
RENO/TAHOE INTERNATIONAL AIRPORT
LANDED WEIGHTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 1996 - 2005
(Unaudited)

Scheduled Airline	2001			2002			2003			2004			2005		
	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change
Alaska	136,172	4%	-5%	128,950	4%	-5%	145,453	4%	13%	272,567	7%	87%	225,303	6%	-17%
Aloha Airlines	0	0%	0%	0	0%	0%	0	0%	0%	46,899	1%	0%	73,125	2%	0%
America West	235,655	7%	-6%	255,695	8%	9%	275,247	8%	8%	301,178	8%	9%	323,416	8%	7%
American	538,236	16%	-51%	405,332	13%	-25%	290,583	8%	-28%	296,588	8%	2%	318,810	8%	7%
Atlantic Southeast	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	31,021	1%	0%
Continental	45,434	1%	12%	52,588	2%	16%	63,004	2%	20%	91,532	2%	45%	79,589	2%	-13%
Frontier	0	0%	0%	65,200	2%	0%	61,296	2%	-6%	87,471	2%	43%	49,713	1%	-43%
Horizon	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	30,017	1%	0%
Mesa	0	0%	0%	0	0%	0%	2,679	0%	0%	0	0%	0%	8,748	0%	0%
Northwest	114,607	3%	-37%	100,013	3%	-13%	99,675	3%	0%	104,254	3%	5%	93,582	2%	-10%
Scenic	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	3,600	0%	0%
Skywest	94,889	3%	94%	134,930	4%	42%	138,994	4%	3%	215,743	6%	55%	230,224	6%	7%
Southwest	1,623,092	47%	2%	1,631,799	52%	1%	1,644,432	47%	1%	1,682,256	44%	2%	1,694,986	44%	1%
United	385,756	11%	-3%	321,466	10%	-17%	310,702	9%	-3%	262,964	7%	-15%	241,294	6%	-8%
Allegiant Air	45,449	1%	0%	0	0%	-100%	26,996	1%	0%	38,710	1%	43%	42,323	1%	9%
Airborne Express	0	0%	0%	0	0%	0%	25,908	1%	0%	26,112	1%	1%	26,010	1%	0%
Federal Express	0	0%	0%	0	0%	0%	219,322	6%	0%	209,816	6%	-4%	213,469	6%	2%
United Parcel Service	0	0%	0%	0	0%	0%	113,002	3%	0%	116,029	3%	3%	122,350	3%	5%
Delta	239,067	7%	-26%	38,004	1%	-84%	0	0%	-100%	0	0%	0%	44,142	1%	0%
National	0	0%	0%	0	0%	0%	25,344	1%	0%	0	0%	-100%	0	0%	0%
Reno Air	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
TWA	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Tristar	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
United Express	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Other	0	0%	0%	0	0%	0%	32,099	1%	0%	28,486	1%	-11%	26,202	1%	-8%
	3,458,357	100%	-20%	3,133,977	100%	-9%	3,474,736	100%	11%	3,780,605	100%	9%	3,877,924	100%	3%

Rounding errors may occur

Reno-Tahoe Airport Authority
Schedule of Insurance Coverage
Effective July 1, 2005 to July 1, 2006

Coverage Line	Carrier/Policy Number	Coverage Description
Property	Affiliated FM Insurance Company/TF410	\$386,947,006 Total Reported Values \$365,483,006 Reported Values Real & Personal Property \$21,464,000 Limit for Business Interruption \$16,000,000 Limit for Extra Expense \$335,000,000 Total Coverage Limit Per Loss including Boiler & Machinery \$25,000 Deductible for Perils <u>Other Than</u> Flood and Earthquake \$50,000,000 Earthquake Limit subject to deductible of 1% of property values/min. \$100,000. \$30,000,000 Flood Limit subject to \$500,000 Deductible.
Airport Operations Liability	Global Aerospace Members Including American Alternative Insurance Corp. (40.875%), Mitsui Sumitomo Insurance Co. of America (6.750%), National Indemnity Co. (43.375%) and Tokio Marine & Nichido Fire Insurance Co., Ltd. (USB) (9.000%)/ALI10982	\$300,000,000 Each Occurrence / Aggregate For Products & Completed Operations \$25,000,000 Personal & Advertising Injury \$25,000 Deductible Per Occurrence / \$100,000 Deductible Annual Aggregate
Automobile Liability	Federal Insurance Company/7353-61-27	\$1,000,000 Per Occurrence Auto Liability including Owned, Hired and Non-Owned Autos \$1,000,000 Uninsured/Underinsured Motorists (for specified vehicles only) Hired Auto Physical Damage - \$500 Deductible for Comprehensive & Collision
EMT Professional Liability	Admiral Insurance Company/EO00000219403	\$3,000,000 Per Claim Limit of Liability / \$3,000,000 Aggregate Limit \$5,000 Deductible Per Claim
Police Professional Liability	United National Insurance Company/LPL0001653	\$3,000,000 Each Person Limit of Liability \$3,000,000 Each Occurrence Limit \$3,000,000 Annual Aggregate Limit \$25,000 Deductible
Crime	Hartford Insurance/53BPEAL6504	\$2,500,000 Per Loss Employee Theft Limit/\$10,000 Deductible \$1,000,000 Faithful Performance of Duty/\$10,000 Deductible \$250,000 Depositors Forgery/\$2,500 Deductible \$100,000 Theft, Disappearance & Destruction/\$2,500 Deductible Computer & Wire Transfer Fraud/\$2,500 Deductible
Public Officials Liability	National Union Fire Ins. Co. of Pittsburgh, PA/492-42-69	\$10,000,000 Each Occurrence / Aggregate \$500,000 Deductible for Public Official Losses 500,000 Deductible for Employment Practices Losses
National Flood Insurance Policy	Hartford Insurance (Effective 02/28/05 to 02/28/06)/99014380312005	\$500,000 Airport Garage Building \$100,000 Airport Garage Contents \$5,000 Deductible
National Flood Insurance Policy	Hartford Insurance (Effective 02/28/05 to 02/28/06)	\$500,000 Airport Terminal Building \$500,000 Airport Garage Contents \$5,000 Deductible
Foreign Package Policy	Ace American Insurance Company/PHF100913	Coverage Applies Outside US only: \$1,000,000 Foreign General Liability \$1,000,000 Foreign Auto Liability Statutory Limits (State of Hire) for Foreign Voluntary Workers' Compensation \$500,000 Repatriation Expense \$1,000,000 Foreign Employers' Liability Accidental Death & Dismemberment: \$25,000 Medical Expense \$100,000 Accidental Death \$1,500,000 Aggregate Limit for AD&D
Fiduciary Liability Policy	Travelers Casualty & Surety Company of America/104358141	\$1,000,000 Annual Aggregate Limit \$1,000 Deductible Per Claim
Workers' Compensation Policy	Commerce & Industry Insurance Company/WC508-8801	Statutory Limits for Workers' Compensation for the State of Nevada \$1,000,000 Employers Liability





KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees of the
Reno-Tahoe Airport Authority

We have audited the basic financial statements of the Reno-Tahoe Airport Authority (the "Authority") as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
September 30, 2005



Report on Compliance with Requirements
Applicable to the Major Program and the Passenger Facility Charge Program
and on Internal Control over Compliance

To the Board of Trustees of the
Reno-Tahoe Airport Authority

Compliance

We have audited the compliance of the Reno-Tahoe Airport Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program and in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) for its passenger facility charge program for the year ended June 30, 2005. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program and passenger facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Guide. Those standards, OMB Circular A-133, and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program and passenger facility charge program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to the federal program and passenger facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on the major federal program and the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program and the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and the federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
September 30, 2005

RENO-TAHOE AIRPORT AUTHORITY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

DATE	PERCENT OF PARTICIPATION	DESCRIPTION OF PROJECT	CFDA NUMBER*	FEDERAL PROJECT NUMBER	GRANT AMOUNT	REIMBURSE- MENTS RECEIVED IN FY 2005	REIMBURSABLE EXPENSES
Granting Agency: United States Department of Transportation							
Property Acquisition and Relocation Assistance							
09/14/00	93.75%	Noise Compatibility	20.106	3-32-0017-41	\$ 2,000,000	\$ 21,370	\$ -
09/20/01	93.75%	Noise Compatibility	20.106	3-32-0017-48	2,000,000	239,338	94,172
09/20/01	93.75%	Noise Compatibility	20.106	3-32-0017-49	6,000,000	1,889	4,582
09/26/02	93.75%	Noise Compatibility	20.106	3-32-0017-51	5,000,000	1,359,808	909,047
09/26/02	93.75%	Noise Compatibility	20.106	3-32-0017-53	5,000,000	3,195,036	2,425,269
08/14/03	93.75%	Noise Compatibility	20.106	3-32-0017-56	4,000,000	3,172,702	3,108,540
08/14/03	93.75%	Noise Compatibility	20.106	3-32-0017-58	3,000,000	423,924	396,502
08/31/04	93.75%	Noise Compatibility	20.106	3-32-0017-60	4,000,000	626,614	641,841
08/31/04	93.75%	Noise Compatibility	20.106	3-32-0017-61	1,875,000	-	13,910
08/31/04	93.75%	Noise Compatibility	20.106	3-32-0017-62	2,000,000	38,443	43,605
Security							
09/26/02	93.75%	Various Security Projects	20.106	3-32-0017-54	5,693,032	887,120	1,072,426
Construction							
09/14/00	93.75%	Reconstruct RWY 7/25 Phase V	20.106	3-32-0017-38	4,624,962	416,559	50,967
09/25/01	93.75%	Airfield Signage Phase I	20.106	3-32-0017-44	5,835,888	1,107,120	878,189
09/30/02	93.75%	ARFF Training Facility	20.106	3-32-0017-55	300,000	23,577	23,613
08/14/03	93.75%	**Runways Improvement Program	20.106	3-32-0017-57	623,827	623,827	-
08/28/03	93.75%	Rehabilitate Taxiway "A" Phase II	20.106	3-32-0017-59	7,774,068	3,146,968	2,233,100
08/31/04	93.75%	Rehabilitate Terminal Apron Phase I	20.106	3-32-0017-63	9,996,605	1,088,358	1,156,156
09/09/98	93.75%	Terminal Development/Generator	20.106	3-32-0018-15	3,000,000	(141,484)	-
09/14/00	93.75%	Taxiway Reconstruction	20.106	3-32-0018-17	2,029,688	8,063	-
09/14/00	93.75%	Rehabilitate Runway 14/32 Phase I	20.106	3-32-0018-18	5,687,055	1,910,403	1,563,705
09/26/02	93.75%	Rehabilitate Runway 14/32 Phase II	20.106	3-32-0018-19	4,611,009	2,850,604	2,378,010
09/02/03	93.75%	Rehabilitate Runway 14/32 Phase III	20.106	3-32-0018-20	6,085,798	1,860,910	1,418,126
05/20/04	93.75%	Construct Taxilanes	20.106	3-32-0018-21	3,201,563	-	2,546
Granting Agency: Department of Homeland Security							
Pass Through Agency: State of Nevada							
Disaster Assistance							
06/10/05	75.00%	Nevada Snow Emergency Declaration	97.036	FEMA-3202 and 3204-EM	280,424	280,424	280,424
					\$ 94,618,919	\$ 23,141,573	\$ 18,694,730

* Catalog of Federal Domestic Assistance
** Letter of Intent from the Federal Aviation Administration

RENO-TAHOE AIRPORT AUTHORITY
NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

1. REPORTING PARTY

The accompanying Supplementary Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Reno-Tahoe Airport Authority ("RTAA"). The RTAA's reporting entity is defined in Note 1 to its basic financial statements.

2. BASIS OF ACCOUNTING

The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

RENO-TAHOE AIRPORT AUTHORITY
SUPPLEMENTARY SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2005

Balance July 1, 2004	\$ 15,213,707
Collection of Passenger Facility Charges, July 1, 2004 through June 30, 2005	8,374,443
Interest earnings	339,724
Proceeds expended for Passenger Facility Charge Projects July 1, 2004 through June 30, 2005	(2,055,832)
Balance June 30, 2005	<u>\$ 21,872,042</u>

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Reno-Tahoe Airport Authority for the year ended June 30, 2005.
2. No reportable conditions or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award program.
5. The auditor's report on compliance with the major Federal award program for the Authority expresses an unqualified opinion.
6. There were no audit findings relative to the major Federal award program for the Authority, which are required to be reported under Section .510(a) of the OMB Circular A-133.
7. The program tested as a major program included:

U.S. Department of Transportation:

Airport Improvement Program, CFDA 20.106

8. The threshold for determining a Type A program was \$560,842.
9. The Authority qualified as a low-risk auditee for the year ended June 30, 2005 under the criteria set forth in section .530 of OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings relating to the financial statement audit.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings reported for the year ended June 30, 2005.

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

U.S. Department of Transportation:

Finding 04-1

Airport Improvement Program, CFDA 20.106

Criteria and Condition: As noted in OMB Circular A-133, Appendix B, reports submitted to the Federal awarding agency should include all activity of the reporting period, should be supported by underlying accounting records, and should be fairly presented in accordance with program requirements.

Program quarterly reports, SF-272, *Federal Cash Transactions Report*, and SF-271s, *Outlay Report and Request for Reimbursement for Construction Programs*, did not reconcile to the Authority's accounting system.

Certain amounts reported on FAA Form 5100-125, *Operating and Financial Summary (OMB No. 2120-0557)* for the year ended June 30, 2003, which was required to be submitted after the close of the fiscal year, did not agree to the audited financial statements or the accounting records for the same period.

Recommendation: We recommended that the Authority implement procedures to ensure amounts reported to the Federal awarding agency include all activity for the period and are supported by the Authority's underlying accounting records.

Current Year Status: Progress continues to be made on this recommendation. Upon completion of FFA Form 5100-125 an internal review of the completed form will be made to ensure all numbers tie to the audited financial statements. Reconciliations of the Authority's accounting system to Program quarterly reports, SF-272, *Federal Cash Transactions Report*, and SF-271s, *Outlay Report and Request for Reimbursement for Construction Programs* were begun and will continue.

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

Finding 04-2

Airport Improvement Program, CFDA 20.106

Criteria and Condition: The OMB Circular A-133 Compliance Supplement requires that non-federal entities include in their construction contracts, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Our tests disclosed that some subcontractors did not submit the certified payrolls weekly.

Recommendation: We recommended the Authority consider revising construction contracts to be consistent with the Federal requirement. We also recommended the Authority implement procedures to ensure that subcontractors submit certified payrolls weekly.

Current Year Status: Progress continues to be made on this recommendation. Contract documents for construction contracts subject to Davis-Bacon requirements now incorporate the following revision:
Special Provision No. 7 Certified Payrolls
SP7-01 Notification
"Certified payrolls shall be submitted weekly to the Construction Manager..."
The Authority is now focusing on developing procedures to assure that subcontractors submit certified payrolls weekly.

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

Finding 04-3

Airport Improvement Program, CFDA 20.106

Criteria and Condition: The OMB Circular A-133 Compliance Supplement and FAA Order 5100.38B require that non-federal entities include in their construction contracts, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction").

One purchase requisition in the amount of \$21,763 for construction of a fence was selected for testing. Our tests disclosed that the purchase requisition did not include the requirement that the contractor comply with the Davis-Bacon Act.

Recommendation: We recommended that the Authority implement procedures to ensure that all construction activity, whether accomplished under a purchase requisition or a contract, include the requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction").

Current Year Status: The Authority has implemented procedures to ensure that all construction activity includes the requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations.

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

Finding 04-4

Airport Improvement Program, CFDA 20.106

Criteria and Condition: FAA Order 5100.38B requires all solicitations, contracts, and subcontracts that exceed \$25,000 contain the required provision from Title 49 CFR, Part 29, Government Debarment and Suspension (Non-procurement).

Our tests disclosed that the required certifications were not obtained for the professional services agreements.

Recommendation: We recommended that the Authority implement procedures to ensure required certifications are received for all contracts that exceed \$25,000.

Current Year Status: The Authority implemented procedures to ensure required certifications are received and an exhibit regarding "CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY, AND VOLUNTARY EXCLUSION - 49 CFR PART 29 (VERSION 1, 1/5/90)" was added to Professional Services Agreements for Federally Funded projects.



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Report
on Nevada Revised Statute 354.6241

To the Board of Trustees of the
Reno-Tahoe Airport Authority

We have reviewed the assertion provided by management in accordance with Nevada Revised Statute 354.624 (5) (a):

- The identified fund is being used expressly for the purposes for which it was created,
- The fund is administered in accordance with accounting principles generally accepted in the United States of America,
- The restricted net assets in the fund were reasonable and necessary to carry out the purposes of the fund at June 30, 2005 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- The sources of revenues available for the fund are as noted in the financial statements,
- The fund conformed to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2005,
- The net assets of the fund are as noted in the financial statements.

This assertion is the responsibility of the management of the Reno-Tahoe Airport Authority.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertion. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the assertion provided by management referred to above is not fairly stated in all material respects.

Kafoury, Armstrong & Co.

Reno, Nevada
September 30, 2005

RENO-TAHOE AIRPORT AUTHORITY
AUDITOR'S COMMENTS
JUNE 30, 2005

STATUTE COMPLIANCE

The Authority conformed to all significant statutory constraints on its financial administration during the year.

CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within our audit report.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The Authority conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2004, as determined by the State of Nevada, Department of Taxation.

PRIOR YEAR RECOMMENDATIONS

There were no specific recommendations made in the audit report for the year ended June 30, 2004.